

# **[DRAFT – option 2] Gas Distribution Services Default Price-Quality Path Determination 2026**

**[2026] NZCC [XX]**

**The Commission:**

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Date of decision: [xx]

Dated at Wellington this [xx] day of [xx]

COMMERCE COMMISSION

Wellington, New Zealand

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[XX] May 2026	[2026] NZCC [XX]	Gas Distribution Services Default Price-Quality Path Determination 2026

## Consultation notes:

- This is a draft determination for the purpose of a limited re-consultation process.
- The Commission is consulting on two possible features in the 2026 price path for gas distribution services (DPP4):
  - Option 1 is a hybrid price path mechanism, and
  - Option 2 is a demand shock reopener mechanism.
- The scope of this re-consultation is limited to those two possible features, and does not include other aspects of the Commission's decisions on DPP4.
- The tracked changes in this draft determination reflect updates from the first draft determination that was published on 27 November 2025. These tracked changes relate to option 2, the demand shock reopener mechanism option. No other changes have been made to the draft determination.
- The three other draft determinations that will be published alongside this one (for the limited re-consultation process) are:
  - For option 2, a draft input methodologies amendment determination containing tracked changes related to the demand shock reopener mechanism;
  - For option 1, a draft price-quality path determination containing tracked changes related to the hybrid price path mechanism; and
  - For option 1, a draft input methodologies amendment determination containing tracked changes related to the hybrid price path mechanism.

## CONTENTS

<u>1. TITLE .....</u>	<u>5</u>
<u>2. COMMENCEMENT .....</u>	<u>5</u>
<u>3. APPLICATION .....</u>	<u>5</u>
<u>4. INTERPRETATION .....</u>	<u>5</u>
<u>5. DEFAULT PRICE-QUALITY PATH .....</u>	<u>9</u>
<u>6. APPLICABLE INPUT METHODOLOGIES .....</u>	<u>9</u>
<u>7. CPP PROPOSALS.....</u>	<u>9</u>
<u>8. PRICE PATH.....</u>	<u>9</u>
<u>9. QUALITY STANDARDS .....</u>	<u>12</u>
<u>10. TRANSACTIONS.....</u>	<u>12</u>
<u>11. ANNUAL COMPLIANCE STATEMENTS .....</u>	<u>13</u>
<u>12. REVENUE SHOCK EVENT .....</u>	<u>17</u>
<u>SCHEDULE 1: STARTING PRICES.....</u>	<u>18</u>
<u>SCHEDULE 2: RATE OF CHANGE .....</u>	<u>19</u>
<u>SCHEDULE 3: TRANSITIONAL ADJUSTED ASSET LIFE AND FORECAST DEPRECIATION FOR EXISTING ASSETS.....</u>	<u>20</u>
<u>SCHEDULE 4: ALLOWABLE NOTIONAL REVENUE FOR THE FIRST ASSESSMENT PERIOD .....</u>	<u>21</u>
<u>SCHEDULE 5: ALLOWABLE NOTIONAL REVENUE FOR EACH ASSESSMENT PERIOD OTHER THAN THE FIRST ASSESSMENT PERIOD .....</u>	<u>22</u>
<u>SCHEDULE 6: PROCESS FOR DETERMINING THE AMOUNT OF PASS-THROUGH COSTS AND RECOVERABLE COSTS FOR AN ASSESSMENT PERIOD .....</u>	<u>23</u>
<u>SCHEDULE 7: RECALCULATION OF THE PRICE PATH FOLLOWING A TRANSFER .....</u>	<u>25</u>
<u>SCHEDULE 8: FORM OF DIRECTOR CERTIFICATE FOR ANNUAL COMPLIANCE STATEMENT .....</u>	<u>28</u>
<u>SCHEDULE 9: REVENUE SHOCK EVENT REOPENER .....</u>	<u>29</u>
<u>DRAFTING NOTES.....</u>	<u>31</u>
<u>EXPLANATORY NOTE.....</u>	<u>32</u>

Under Part 4 of the Commerce Act 1986, the Commerce Commission makes the following determination:

**1. Title**

- 1.1 This determination is the Gas Distribution Services Default Price-Quality Path Determination 2026.

**2. Commencement**

- 2.1 This determination comes into force on [XX] May 2026.

**3. Application**

- 3.1 This determination amends the *Gas Distribution Services Default Price-Quality Path Determination 2022* [2022] NZCC 19.
- 3.2 This determination applies to **GDBs** in respect of the supply of **gas distribution services** during the **regulatory period**.

**4. Interpretation**

- 4.1 Unless the context otherwise requires—

- (a) words appearing in this determination in bold type are defined terms and bear the meaning given to them in clause 4.2;
- (b) terms used in this determination that are defined in the **IM determination**, but not in clause 4.2 of this determination, have the same meanings as in the **IM determination**;
- (c) terms used in this determination that are defined in the **Act**, but not in clause 4.2 of this determination or the **IM determination**, have the same meaning as in the **Act**; and
- (d) any materials incorporated by reference into this determination, including standards published or promulgated by other bodies, are incorporated in accordance with Schedule 5 of the **Act**.

- 4.2 In this determination, unless the context otherwise requires—

**Act** means the Commerce Act 1986;

**allowable notional revenue** has the meaning given in the **IM determination** and is the amount calculated in accordance with clause 8.5(b);

**amalgamate** has the meaning given in the **IM determination**;

**annual compliance statement** means the written statement required to be made by a **GDB** in respect of compliance with the price path and quality standards;

**assessment period** means a 12-month period commencing 1 October and ending on 30 September of the following year;

**assurance auditor** means a **person** who:

- (a) is qualified for appointment as an auditor of a company under the Companies Act 1993 or, where the **GDB** is a public entity (as defined in section 4 of the Public Audit Act 2001), is the Auditor-General;
- (b) complies with Professional and Ethical Standard 1 (PES 1) issued by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board in December 2018, under s 12(b) of the Financial Reporting Act 2013;
- (c) does not have a relationship with or an interest in the **GDB** that could give rise to an actual or perceived conflict of interest in respect of the person providing an assurance report under clause 11.6;
- (d) has not assisted with the preparation of the **annual compliance statement** or provided advice or opinions (other than in relation to audit reports) on the methodologies or processes used in preparing the **annual compliance statement**;
- (e) is not associated with nor directed by any person mentioned in (d) above;
- (f) has the necessary expertise to properly prepare the assurance report required by clause 11.6; and
- (g) need not be the same person as the person who audits the **GDB's** accounts for any other purpose;

**Commission** means the Commerce Commission as defined in section 2 of the **Act**;

**consumer** has the meaning given in the **IM determination**;

**consumer group** means the category of consumer used by a **GDB** to set a **price**;

**control** means the acquisition of rights similar to ownership, such as a long-term lease;

**CPI** has the meaning given in the **IM determination**;

**CPP proposal** has the meaning given in the **IM determination**;

**emergency** means:

- (a) an unplanned escape or ignition of gas that requires the active involvement of any emergency service (eg, fire service, ambulance);

- (b) an unplanned disruption in the supply of gas that affects more than five installation control points; or
- (c) an evacuation of a premises as the result of escape or ignition of gas;

**first assessment period** means the **assessment period** for the 12-month period 1 October 2026 to 30 September 2027;

**forecast depreciation for existing assets** has the meaning given in the **IM determination** and is the value specified in Schedule 3;

**gas distribution services** has the meaning given in the **IM determination**;

**GDB** has the meaning given in the **IM determination**;

**IM determination** means the Gas Distribution Services Input Methodologies Determination 2012 (as amended) as at the date of this determination;

**input methodology** has the same meaning as in section 52C of the **Act**;

**interconnected bodies corporate** means any two or more bodies corporate where one of them is a body corporate of which the other is a subsidiary (within the meaning of section 5 of the Companies Act 1993), or if both of them are subsidiaries (within the meaning of that section) of one and the same body corporate;

**ISAE (NZ) 3000 (Revised)** means the *International Standard on Assurance Engagements (New Zealand) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE (NZ) 3000 Revised)*, issued by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board in July 2014 and incorporating amendments made up to May 2022 under the Financial Reporting Act 2013;

**major transaction event** has the meaning given in the **IM determination**;

**merger** means a transaction, other than an **amalgamation**, whereby a **GDB** directly or indirectly:

- (a) acquires ownership or **control** of all or substantially all of the assets of another **GDB**; or
- (b) acquires ownership or **control** of another **GDB** by acquiring all of its share capital;

**notional revenue** has the meaning given in the **IM determination** and is the amount calculated in accordance with clause 8.5(a);

**pass-through cost** has the meaning given in the **IM determination** and is determined in accordance with Schedule 6;

**person** has the meaning given in the **IM determination**;

**prices** has the meaning given in the **IM determination**;

**quantity** has the meaning given in the **IM determination**;

**recoverable cost** has the meaning given in the **IM determination** and is determined in accordance with Schedule 6;

**regulatory period** means the period 1 October 2026 to 30 September 2031;

**restructure of prices** includes any change in the allocation of connections to **consumer groups** by a **GDB**, the introduction of a new **consumer group**, or any change in **prices**, but excludes:

- (a) a change to the value of a **price** applicable to an existing **consumer group**;  
or
- (b) the movement of connections between existing **consumer groups** at the request of the **consumer** or retailer;

**revenue shock event** has the meaning given in the **IM determination**;

**RTE** means 'response time to emergencies', being the time between when an **emergency** is reported to a **GDB** representative and when the **GDB's** personnel arrives at the location of the **emergency**;

**SAE 3100 (Revised)** means the *Standard on Assurance Engagement 3100 (Revised) – Assurance Engagements on Compliance (SAE 3100 (Revised))* issued by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board in March 2017 and incorporating amendments up to May 2022 under the Financial Reporting Act 2013;

**transfer** means a transaction, other than an **amalgamation** or **merger**, whereby a **GDB** directly or indirectly transfers assets to another **person** and **consumers** are acquired by or no longer supplied by a **GDB** as a result of the asset transfer;

**transitional adjusted asset life for existing assets** has the meaning given in the **IM determination** and is the value specified in Schedule 3; and

**working day** has the meaning given in the **IM determination**.

## 5. Default price-quality path

- 5.1 Every **GDB** must comply with the default price-quality path, which consists of:
- (a) the price path specified in clause 8; and
  - (b) the quality standards specified in clause 9.

## 6. Applicable input methodologies

- 6.1 The **input methodologies** that are applied through this determination are the following parts of the **IM determination**:
- (a) Subpart 1 of Part 3 – specification of price;
  - (b) Subpart 2 of Part 3 – amalgamations;
  - (c) Subpart 1 of Part 4 – cost allocation;
  - (d) Subpart 2 of Part 4 – asset valuation;
  - (e) Subpart 3 of Part 4 – treatment of taxation;
  - (f) Subpart 4 of Part 4 – cost of capital;
  - (g) Subpart 5 of Part 4 – reconsideration of the default price-quality path;
  - (h) Subpart 6 of Part 4 – treatment of periods that are not 12-month periods; and
  - (i) Subpart 7 of Part 4 – availability of information.

## 7. CPP proposals

- 7.1 A **GDB** may submit a **CPP proposal** to the **Commission** at any time up to 31 May 2029.
- 7.2 A **GDB** may not submit a **CPP proposal** to the **Commission** within the period 1 June 2029 to 30 September 2031.

## 8. Price path

### *Starting prices*

- 8.1 The starting prices that apply for each **GDB** in the **regulatory period** are set out in Schedule 1.

### *Rate of change*

- 8.2 The annual rate of change in **prices** for each **GDB**, relative to the **CPI**, that is allowed during the **regulatory period** is set out in Schedule 2.

*Transitional adjusted asset life and forecast depreciation for existing assets*

- 8.3 The **transitional adjusted asset life for existing assets** and the **forecast depreciation for existing assets** for each **GDB** in the **regulatory period** are set out in Schedule 3.

*Compliance with the price path*

- 8.4 The **notional revenue** of each **GDB** in an **assessment period** must not exceed the **allowable notional revenue** for the **assessment period**, such that:

$$NR \leq ANR$$

where—

NR is the **notional revenue** for the **assessment period**, calculated in accordance with clause 8.5(a); and

ANR is the **allowable notional revenue** for the **assessment period**, calculated in accordance with clause 8.5(b).

*How to calculate notional revenue and allowable notional revenue*

- 8.5 For the purpose of calculating **notional revenue** and **allowable notional revenue** in clause 8.4:

- (a) **notional revenue** for an **assessment period** is  $NR_t$ , where:

$$NR_t = \sum_i P_{i,t} Q_{i,t-2} - (K_t + V_t)$$

where:

t is the year in which the **assessment period** ends;

i is each **price** relating to a **gas distribution service**;

$P_{i,t}$  is the  $i^{\text{th}}$  **price** for any part of the **assessment period** ending in year t;

$Q_{i,t-2}$  is the **quantity** corresponding to the  $i^{\text{th}}$  **price** during the **assessment period** ending two years prior to year t;

$K_t$  is the sum of all **pass-through costs** for the **assessment period** ending in year t, determined in accordance with Schedule 6; and

$V_t$  is the sum of all **recoverable costs** for the **assessment period** ending in year t, determined in accordance with Schedule 6;

- (b) **allowable notional revenue** for the **assessment period** ending in year  $t$  is  $ANR_t$ , as:
  - (i) specified in Schedule 4 for the **first assessment period**; and
  - (ii) calculated in accordance with Schedule 5 for all other **assessment periods**.

*Restructure of prices*

- 8.6 For the avoidance of doubt, a **restructure of prices** during an **assessment period** does not change the **allowable notional revenue** for that **assessment period**.
- 8.7 For purposes of calculating **notional revenue** and **allowable notional revenue** in clause 8.4, where a **GDB** undertakes a **restructure of prices**, the **GDB** must:
  - (a) for the **assessment period** to which a **restructure of prices** first applies, calculate **notional revenue** for that **assessment period** using the **quantities** determined in accordance with clause 8.8 or clause 8.9, as applicable; and
  - (b) for the **assessment period** immediately following the **assessment period** to which a **restructure of prices** first applies, calculate **notional revenue** and **allowable notional revenue** using the **quantities** determined in accordance with clause 8.8 or clause 8.9, as applicable.
- 8.8 Where a **restructure of prices** —
  - (a) combines two or more **consumer groups** into one **consumer group**, the **quantities** corresponding to the **prices** in the combined **consumer group** must be the sum of the **quantities** corresponding to each of the **prices** that applied to the previous **consumer groups**; and
  - (b) separates a **consumer group** into two or more new **consumer groups**, the **quantities** corresponding to the **prices** in each new **consumer group** must be based on the **quantities** corresponding to the **prices** that applied to the original **consumer group**, and the sum of the **quantities** corresponding to each new **consumer group** must equal the **quantities** corresponding to the original **consumer group**.
- 8.9 Where, as a result of a **restructure of prices**, there are no **quantities** for the **assessment period** two years prior that reasonably practicably correspond to the restructured **prices**, the **GDB** must derive demonstrably reasonable **quantities** in place of actual **quantities**. In deriving the demonstrably reasonable **quantities** the **GDB**:
  - (a) may not use forecast **quantities**;

- (b) must use relevant **quantity** information from the **assessment period** two years prior;
- (c) must consider any other relevant information that is reasonably available; and
- (d) must use a substantially similar methodology for determining the **quantities** in each **assessment period** for which **quantities** are determined under this clause.

## 9. Quality standards

### *Compliance with quality standards*

- 9.1 The quality standards for each **assessment period** are that a **GDB's RTE** values must be such that:
- (a) of the total of all **RTEs**, the percentage greater than 60 minutes does not exceed 20%; and
  - (b) the **RTE** to any **emergency** does not exceed 180 minutes.

### *Exclusion of certain emergencies*

- 9.2 If a **GDB** has a reasonable excuse for not meeting the quality standard in clause 9.1(b) in respect of the **RTE** for a particular **emergency**, the **GDB** may apply to the **Commission** to treat the **RTE** as having complied with that quality standard.
- 9.3 A request under clause 9.2 must—
- (a) be submitted to the **Commission** in writing within 45 **working days** of the **emergency**; and
  - (b) include sufficient evidence demonstrating why it was reasonable that the **GDB's RTE** was greater than 180 minutes.
- 9.4 A **GDB** may only treat a **RTE** greater than 180 minutes as having complied with that quality standard if the **Commission** determines in writing that the **GDB** can do so.

## 10. Transactions

### *Transactions resulting in an amalgamation or merger*

- 10.1 If a **GDB** completes an **amalgamation** or a **merger** during an **assessment period** with another **GDB** subject to a default price-quality path, then:
- (a) for the purpose of calculating **notional revenue** and **allowable notional revenue** in clause 8.4, the **notional revenue** and **allowable notional revenue** of the **GDB** resulting from the **amalgamation** or **merger** for the

**assessment period** equals the sum of **notional revenues** and the sum of **allowable notional revenues**, respectively, of the **GDBs** that are the subject of the **amalgamation** or **merger**; and

- (b) for the purpose of clause 9, the total number of **emergencies** used to calculate the **RTE** values of the **GDB** resulting from the **amalgamation** or **merger** equals the sum of the total number of **emergencies** of each of the **GDBs** that are the subject of the **amalgamation** or **merger**.

#### *Transactions resulting in a transfer*

- 10.2 For the purpose of calculating **allowable notional revenue** in clause 8.4, if a **GDB** completes a **transfer** during an **assessment period**, the **GDB** must increase or decrease the **allowable notional revenue** for that **assessment period** as specified in Schedule 7.

#### *Requirement to notify the Commission of large transactions*

- 10.3 A **GDB** must notify the **Commission** after entering into an agreement with another **GDB**, directly or indirectly, for an **amalgamation, merger, transfer, or major transaction event**.
- 10.4 Any notice given under clause 10.3 must be given in writing and within 30 **working days** after the **GDB** enters into the agreement.
- 10.5 Any notice of a **transfer** under clause 10.3 must include, to the extent practically available at the time of the notice:
  - (a) the **GDB's allowable notional revenue** for the **assessment period** in which the **transfer** occurs, as adjusted in accordance with Schedule 7;
  - (b) the amount of **allowable notional revenue** attributable to the **transfer**; and
  - (c) the basis on which **allowable notional revenue** was allocated between the parties in accordance with Schedule 7.
- 10.6 Any information not practically available under clause 10.4 at the time of the notice must be provided to the **Commission** in writing as soon as practicable after it becomes available.

## **11. Annual compliance statements**

- 11.1 A **GDB** must, by 31 March following the end of each **assessment period**, provide to the **Commission** a written **annual compliance statement** for that **assessment period**, which includes:
  - (a) the information in clauses 11.2, 11.3, 11.4 and 11.5;

- (b) schedules reflecting relevant **price** and **quantities** disclosed in an electronic format that is compatible with Microsoft Excel;
- (c) a certificate in the form provided under Schedule 8, signed by at least one **director** of the **GDB**; and
- (d) an assurance report meeting the requirements in clause 11.6 in respect of all information required to be disclosed in the **annual compliance statement**.

11.2 The **annual compliance statement** must:

- (a) state whether the GDB has –
  - (i) complied with the price path in clause 8.4 for the **assessment period**;
  - (ii) complied with the quality standards in clause 9.1 for the **assessment period**;
  - (iii) implemented a **restructure of prices** during the **assessment period**; and
- (b) state the date on which the **annual compliance statement** was prepared.

11.3 The **annual compliance statement** must include any information reasonably necessary to demonstrate whether the **GDB** has, during the **assessment period**, complied with:

- (a) the price path in clause 8.4, including but not limited to:
  - (i) the amount of **allowable notional revenue**, the amount of **notional revenue, prices, quantities**, units of measurement associated with all numeric data, and other relevant data, information, and calculations;
  - (ii) the amounts of **pass-through costs** and **recoverable costs** used to calculate **allowable notional revenue** and **notional revenue**, and supporting data, information, and calculations used to determine those amounts, including when each **pass-through cost** and **recoverable cost** amount was paid, and the period to which those costs relate;
  - (iii) if the **GDB** has not complied with the price path, the reasons for non-compliance; and
  - (iv) if the **GDB** has not complied with the price path, actions taken to mitigate any non-compliance and to prevent similar non-compliance

in future **assessment periods**, including **assessment periods** in future **regulatory periods**;

- (b) the quality standards in clause 9.1, including but not limited to:
  - (i) relevant incident data and calculations;
  - (ii) a description of the policies and procedures the **GDB** has used for recording the **RTE** statistics for the **assessment period**;
  - (iii) a list of all **emergencies** in respect of which the **Commission** has determined that the **GDB** can treat the **RTE** of the **emergency** as having complied with the quality standards, and any requests under clause 9.2 that are pending a decision by the **Commission**;
  - (iv) if a **GDB** has not complied with a quality standard, the reasons for not meeting the quality standard;
  - (v) if a **GDB** has not complied with a quality standard, the actions taken to mitigate any non-compliance and to prevent similar non-compliance in future **assessment periods**, including **assessment periods** associated with future **regulatory periods**; and
  - (vi) where a quality standard has not been met, for each **emergency** which exceeded the **RTE** for that quality standard, a description of the **emergency**, including the nature, cause, and location of the **emergency** and the number of **consumers** affected.

11.4 If the **GDB** implemented a **restructure of prices** that first applied during the **assessment period** to which the **annual compliance statement** relates, the immediately preceding **assessment period**, or in both **assessment periods**, the **annual compliance statement** must:

- (a) state the nature of each **restructure of prices** and identify the **consumer groups** impacted by such **restructure of prices**; and
- (b) if a **GDB** has derived **quantities** under clause 8.8 for the purposes of calculating **notional revenue** and/or **allowable notional revenue** for the **assessment period**, include:
  - (i) the methodology used to derive the **quantities** in place of the actual **quantities** that correspond to each restructured **price**;
  - (ii) the derived **quantities** corresponding to each restructured **price** determined by a **GDB** for the relevant **assessment period**, and the actual **quantities**; and
  - (iii) an explanation for any differences between the actual **quantities** and the derived **quantities**.

- 11.5 If the **GDB** participated in an **amalgamation, merger, transfer, or major transaction event** during the **assessment period**, the **annual compliance statement** for that **assessment period** must:
- (a) state whether the **GDB** has complied with clauses 10.1 to 10.5, as relevant;
  - (b) include any information or calculations that are reasonably required to demonstrate compliance with relevant clauses 10.1 to 10.5; and
  - (c) if a **GDB** has not complied with clauses 10.1 to 10.5 in any respects, identify how it has failed to comply and state the reasons for the non-compliance.

*Form of assurance report on annual compliance statement*

- 11.6 For the purposes of clause 11.1(d), the **GDB** must procure an assurance report by an **assurance auditor** in respect of the **annual compliance statement** that is prepared in accordance with **SAE 3100 (Revised)** and **ISAE (NZ) 3000 (Revised)**, signed by the **assurance auditor** (either in their own name or that of their firm), and that –
- (a) is addressed to the **directors** of the **GDB** and to the **Commission** as the intended users of the assurance report;
  - (b) states –
    - (i) that it has been prepared in accordance with **SAE 3100 (Revised)** and **ISAE (NZ) 3000 (Revised)**;
    - (ii) the work done by the **assurance auditor**;
    - (iii) the scope and limitations of the assurance engagement;
    - (iv) the existence of any relationship (other than that of auditor) which the **assurance auditor** has with, or any interest which the **assurance auditor** has in, the **GDB** or any of its **interconnected bodies corporate**;
    - (v) whether the **assurance auditor** has obtained sufficient recorded evidence and explanations that he or she required and, if not, the information and explanations not obtained; and
    - (vi) whether, in the **assurance auditor's** opinion, as far as appears from an examination, the information used in the preparation of the **annual compliance statement** has been properly extracted from the **GDB's** accounting and other records, sourced from its financial and non-financial systems; and

- (c) states whether (and if not, the respects in which it has not), in the **assurance auditor's** opinion, the **GDB** has complied, in all material respects, with this determination in preparing the **annual compliance statement**, and, if the **GDB** has not complied with the price path –
  - (i) the reasons for non-compliance; and
  - (ii) actions taken to mitigate any non-compliance and to prevent similar non-compliance in future **assessment periods**, including **assessment periods** associated with future **regulatory periods**.

## 12. Revenue shock event

12.1 For the purposes of clause 4.5.11A of the IM determination, the values of  $R_t^{Actual}$  and  $R_t^{Forecast}$  are specified in Schedule 9.

## Schedule 1: Starting prices

The starting prices for each **GDB** for the **regulatory period**, specified as maximum allowable revenue, are set out in Table 1.

**Table 1: Starting prices for each GDB**

<b>GDB</b>	<b>MAR (\$m)</b>
GasNet Limited	6.639
Powerco Limited	79.188
Vector Limited	74.666
First Gas Limited (in respect of <b>gas distribution services</b> )	44.931

## Schedule 2: Rate of change

The annual rates of change are set out in Table 2.

**Table 2: Annual rate of change for each GDB**

<b>GDB</b>	<b>Rate of change for assessment period ending in year</b>			
	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
GasNet Limited	0.0%	0.0%	0.0%	0.0%
Powerco Limited	0.0%	0.0%	0.0%	0.0%
Vector Limited	-11.5%	0.0%	0.0%	0.0%
First Gas Limited (in respect of <b>gas distribution services</b> )	0.0%	0.0%	0.0%	0.0%

### Schedule 3: Transitional adjusted asset life and forecast depreciation for existing assets

1. The **transitional adjusted asset life for existing assets** for each **GDB** in the **regulatory period** is set out in Table 3.

**Table 3: Transitional adjusted asset life for existing assets**

<b>GDB</b>	<b>Adjusted asset life (years)</b>
GasNet Limited	12.33
Powerco Limited	11.66
Vector Limited	14.84
First Gas Limited (in respect of <b>gas distribution services</b> )	11.43

2. The **forecast depreciation for existing assets** for each **GDB** in the **regulatory period** is set out in Table 4.

**Table 4: Forecast depreciation for existing assets**

<b>GDB</b>	<b>Depreciation value (\$m)</b>
GasNet Limited	10.687
Powerco Limited	168.266
Vector Limited	160.500
First Gas Limited (in respect of <b>gas distribution services</b> )	88.958

#### Schedule 4: Allowable notional revenue for the first assessment period

**Allowable notional revenue** for the **first assessment period** must be calculated in accordance with the following formula:

$$ANR_{2027} = \frac{MAR}{\Delta D}$$

where:

*MAR* is the starting price specified in Schedule 1; and

$\Delta D$  is the value calculated for the forecast change in demand by applying the constant price revenue growth, as specified in Table 5 for each **GDB**.

**Table 5:  $\Delta D$  for the first assessment period**

<b>GDB</b>	<b><math>\Delta D</math></b>
GasNet Limited	0.9816
Powerco Limited	0.9941
Vector Limited	0.9347
First Gas Limited (in respect of <b>gas distribution services</b> )	0.9696

**Schedule 5: Allowable notional revenue for each assessment period other than the first assessment period**

**Allowable notional revenue** for each **assessment period** other than the **first assessment period** must be calculated in accordance with the following formula:

$$ANR_t = \left( \sum_i P_{i,t-1} Q_{i,t-2} - (K_{t-1} + V_{t-1}) + (ANR_{t-1} - NR_{t-1}) \right) (1 + \Delta CPI_t) (1 - X)$$

where:

- t is the year in which the **assessment period** ends;
- i is each **price** relating to a **gas distribution service**;
- $P_{i,t-1}$  is the  $i^{\text{th}}$  **price** for any part of the **assessment period** ending the year prior to year  $t$ ;
- $Q_{i,t-2}$  is the **quantity** corresponding to the  $i^{\text{th}}$  **price** for the **assessment period** ending two years prior to year  $t$ ;
- $K_{t-1} + V_{t-1}$  is the sum of all **pass-through costs** and **recoverable costs** for the **assessment period** ending the year prior to year  $t$ , calculated in accordance with Schedule 6;
- $ANR_{t-1} - NR_{t-1}$  is the difference between **allowable notional revenue** and **notional revenue** for the **assessment period** ending the year prior to year  $t$ ;
- $X$  is the rate of change, as specified in Schedule 2; and
- $\Delta CPI_t$  is the derived change in the **CPI** to be applied for the **assessment period** ending in year  $t$ , being equal to:

$$\Delta CPI_t = \frac{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}}{CPI_{Jun,t-3} + CPI_{Sep,t-3} + CPI_{Dec,t-3} + CPI_{Mar,t-2}} - 1$$

where:

$CPI_{q,t-n}$  is the **CPI** for the quarter year ending  $q$  in the 12-month period  $n$  years prior to year  $t$ .

## Schedule 6: Process for determining the amount of pass-through costs and recoverable costs for an assessment period

1. The amount of each **pass-through cost** or **recoverable cost** that is used to calculate **allowable notional revenue** or **notional revenue** for an **assessment period** must:
  - 1.1 be ascertainable at the time the **GDB** sets its **prices** for that **assessment period**;
  - 1.2 not have already been passed through to, or recovered from, **consumers** or other parties by the **GDB** in a previous **assessment period**; and
  - 1.3 not be able to be otherwise recovered from **consumers** or other parties, other than through **prices**.
2. A **GDB** may adjust the amount of any **pass-through cost** or **recoverable cost** for the time value of money in accordance with paragraph 4.
3. If a **GDB** adjusts the amount of any **pass-through cost** or **recoverable cost** for the time value of money, the **GDB** must use the same approach for calculating all **pass-through costs** or **recoverable costs** for each **assessment period**.
4. For the purposes of calculating time value of adjustments under paragraph 2, the **GDB** must either:
  - 4.1 calculate the amounts in accordance with the following formula:

$$K_t + V_t = \sum_n (K_n + V_n)(1 + r)^{t-n}$$

where:

- |       |   |
|-------|---|
| t     | is the year in which the <b>assessment period</b> ends;   |
| $K_t$ | is the sum of all <b>pass-through costs</b> claimed during the <b>assessment period</b> ending in year t;                                       |
| $V_t$ | is the sum of all <b>recoverable costs</b> claimed during the <b>assessment period</b> ending in year t;  |
| n     | is the year the <b>assessment period</b> ends in which actual <b>pass-through costs</b> and <b>recoverable costs</b> were paid or will be paid; |
| $K_n$ | is the sum of all <b>pass-through costs</b> that have been paid or will be paid in year n;  |
| $V_n$ | is the sum of all <b>recoverable costs</b> that have been paid or will be paid in year n; and   |

- r is the discount rate of 5.20%; or
- 4.2 calculate the amounts in accordance with the formula in paragraph 4.1, except where the term 't-n' is the difference expressed in years between:
- (a) the date that each **pass-through cost** or **recoverable cost** amount was paid or will be paid; and
  - (b) the date 148 days prior to the end of **assessment period** ending in year t.

## Schedule 7: Recalculation of the price path following a transfer

Where a **GDB** is party to a **transfer** it must adjust its **allowable notional revenue** as set out below:

*By agreement on an allocation with another GDB*

1. Where a **GDB** is party to a **transfer** with another **GDB** they must attempt to agree on a demonstrably reasonable allocation of the **allowable notional revenue** attributable to the **consumers** transferred as a result of the transaction.
2. A **GDB** transferring **consumers** must reduce its **allowable notional revenue** by the amount determined in accordance with paragraph 1.
3. A **GDB** receiving a transfer of **consumers** must increase its **allowable notional revenue** by the amount determined in accordance with paragraph 1.

*Applying a formula to determine an allocation*

4. Where a **GDB** acquiring **consumers** is unable to agree on a demonstrably reasonable allocation of the **allowable notional revenue** with the other **GDB** party to the **transfer**, as set out in paragraphs 1 to 3 above, the **GDB** must recalculate its **allowable notional revenue** in accordance with the following formula:

$$\left( \sum_i P_{i,t-1} Q_{i,t-2} - K_{proportion,t-1} - V_{proportion,t-1} \right) (1 + \Delta CPI_t) \times \text{Part-year Factor}$$

where—

$t$	is the year in which the <b>assessment period</b> ends;
$i$	denotes each <b>price</b> ;
$P_{i,t-1}$	is the $i^{\text{th}}$ <b>price</b> of the other <b>GDB</b> during any part of the <b>assessment period</b> prior to year $t$ ;
$Q_{i,t-2}$	is the <b>quantity</b> attributable to the <b>consumers</b> transferred by the other <b>GDB</b> for the <b>assessment period</b> ending 2 years prior to year $t$ corresponding to the $i^{\text{th}}$ <b>price</b> ;
$K_{proportion,t-1}$	is the proportion of all <b>pass-through costs</b> of the other <b>GDB</b> recognised in the <b>assessment period</b> prior to year $t$ , being equal to:

$$\text{Transaction Factor} \times K_{t-1}$$

where -

$K_{t-1}$

is the sum of all **pass-through costs** of the other **GDB** recognised in the **assessment period** prior to year  $t$

$V_{proportion,t-1}$  is the proportion of all **recoverable costs** of the other **GDB** recognised in the **assessment period** prior to year  $t$ , being equal to:

$$Transaction\ Factor \times V_{t-1}$$

where—

$V_{t-1}$  is the sum of all **recoverable costs** of the other **GDB** recognised in the **assessment period** prior to year  $t$ ; and

$\Delta CPI_t$  is the derived change in the **CPI** to be applied for the **assessment period** ending in year  $t$ , being equal to:

$$\frac{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}}{CPI_{Jun,t-3} + CPI_{Sep,t-3} + CPI_{Dec,t-3} + CPI_{Mar,t-2}} - 1$$

where—

$CPI_{q,t-n}$  is the **CPI** for the quarter year ending  $q$  in the 12-month period  $n$  years prior to year  $t$ .

5. Where a **GDB** transferring **consumers** is unable to agree on a demonstrably reasonable allocation of the **allowable notional revenue** with the other **GDB** party to the **transfer** as set out in paragraphs 1 to 3 above, or the other party to the **transfer** is not a **GDB**, the **GDB** must recalculate its **allowable notional revenue** in accordance with the following formula:

$$ANR = ANR_p - (ANR_p \times Transaction\ Factor \times Part\text{-}year\ Factor)$$

where—

$ANR_p$  is the **allowable notional revenue**, calculated in accordance with Schedule 4 or 5, that would have applied for the **assessment period** absent the transaction.

6. For the purposes of paragraphs 4 and 5,—

6.1 the 'Transaction Factor' is calculated in accordance with the following formula:

$$\frac{\sum P_{i,t-1} Q_{lost,i,t-2}}{\sum P_{i,t-1} Q_{i,t-2}}$$

where—

$t$  is the year in which the **assessment period** ends;

$i$  denotes each **price** of the **person** transferring **consumers**;

$P_{i,t-1}$  is the  $i^{th}$  **price** of the **GDB** transferring **consumers** during any part of the **assessment period** prior to year  $t$ ;

$Q_{i,t-2}$  is the **quantity** for the **assessment period** ending 2 years prior to year t of the **GDB** transferring **consumers** corresponding to the  $i^{\text{th}}$  **price**; and

$Q_{lost,t,t-2}$  is the **quantity** for the **assessment period** ending 2 years prior to year t of the **GDB** transferring **consumers** attributable to the **consumers** transferred and corresponding to the  $i^{\text{th}}$  **price**; and

6.2 the 'Part-year Factor' is calculated in accordance with the formula-

$$\frac{n}{d}$$

where—

$n$  is the number of days between the date on which **consumers** are first transferred and the last day of the **assessment period** in which the **consumers** are transferred; and

$d$  is the number of days in the **assessment period** in question.

*Alternative methodology approved by the Commission*

7. Where a **GDB**:

- 7.1 is unable to agree on a demonstrably reasonable allocation of the **allowable notional revenue** with the other **GDB** party to the **transfer**, as set out in paragraphs 1 to 3 above; or
- 7.2 is unable to reasonably apply the relevant formula set out in paragraphs 4 to 6 above, or
- 7.3 considers that the application of the formula set out in paragraphs 4 to 6 above would not be consistent with the purpose of Schedule 7;

the **GDB** may apply an alternative methodology approved in advance by the **Commission** to determine the **allowable notional revenue** attributable to a transfer of **consumers** as a result of a **transfer**.

## Schedule 8: Form of director certificate for annual compliance statement

The **director** certificate required by clause 11.1(c) must take the following form:

I/We, *[insert full name/s]*, being director/s of *[insert name of GDB]* certify that, having made all reasonable enquiries, to the best of my/our knowledge and belief, the attached annual compliance statement of *[insert name of GDB]* and related information, prepared for the purposes of the *Gas Distribution Services Default Price-Quality Path Determination 2026*, has been prepared in accordance with all the relevant requirements *\*[except in the following respects]*.

*\*[insert description of non-compliance]*

*[Signatures of Director(s)]*

*[Date]*

*\*Delete if inapplicable.*

## Schedule 9: Revenue shock event reopener

### 1. For the purposes of a revenue shock event:

1.1 the  $R_t^{Actual}$  value for the assessment period ending in year t is the amount calculated in accordance with the following formula:

$$\sum_i P_{i,t} Q_{i,t} - (K_t + V_t)$$

where-

i is each **price** relating to a **gas distribution service**;

t is the year in which the **assessment period** ends;

$P_{i,t}$  is the  $i^{\text{th}}$  **price** for any part of the **assessment period** ending in year t;

$Q_{i,t}$  is the forecast quantity corresponding to the  $i^{\text{th}}$  **price** for any part of the **assessment period** ending in year t;

$K_t$  is the sum of all **pass-through costs** claimed during the **assessment period** ending in year t; and

$V_t$  is the sum of all **recoverable costs** claimed during the **assessment period** ending in year t.

1.2 the  $R_t^{Forecast}$  value for the assessment period ending in year t is as set out in Table 6.

**Table 6:  $R_t^{Forecast}$  for the purposes of a revenue shock event**

<u>GDB</u>	<u>Assessment period</u> <u>(All amounts in \$m)</u>				
	<u>Assessment period ending 30 September 2027</u>	<u>Assessment period ending 30 September 2028</u>	<u>Assessment period ending 30 September 2029</u>	<u>Assessment period ending 30 September 2030</u>	<u>Assessment period ending 30 September 2031</u>
	<u>GasNet Limited</u>	<u>6.639</u>	<u>6.723</u>	<u>6.794</u>	<u>6.867</u>
<u>Powerco Limited</u>	<u>79.188</u>	<u>80.210</u>	<u>81.247</u>	<u>82.067</u>	<u>82.715</u>
<u>Vector Limited</u>	<u>74.666</u>	<u>82.584</u>	<u>81.741</u>	<u>80.868</u>	<u>79.931</u>

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First Gas Limited  
(in respect of gas  
distribution  
services)

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44.931

44.868

44.616

44.279

43.742

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## Drafting notes

These notes are not part of the determination but are intended to indicate its general effect.

1. The purpose of the *Gas Distribution Services Default Price-Quality Path Determination 2026* (“the Determination”) is to set a default price-quality path for gas distribution businesses (“GDBs”) for the five years beginning 1 October 2026 and ending 30 September 2031, under Part 4 of the Commerce Act 1986 (“the Act”).
2. Under s 53N each GDB is required to provide to the Commerce Commission (“the Commission”) an annual compliance statement stating whether or not the GDB has complied with the default price-quality path set out in the Determination together with supporting evidence. The annual compliance statement is to be accompanied by both a director’s certificate and an assurance auditor’s report.
3. We have specified under s 53O(e) that any application for a customised price-quality path must be received before 31 May 2029. In setting this date, we have taken into account our timeframes for processing and deciding on such an application and for resetting a default price-quality path. A date of 31 May 2029 will allow us to finalise our decisions on any applications for a customised price-quality path before we start the process of resetting the default price-quality path for the next regulatory period.
4. A reasons paper providing detailed background to, and analysis of, the Determination can be found at: [\[LINK\]](#)
5. Copies of this Determination are available for inspection free of charge at the Commission (during ordinary office hours), on the Commission’s website at the above link, or for purchase at a reasonable price at the Commission.

**Explanatory note**

This note is not part of the determination but is intended to indicate its general effect.

This is secondary legislation issued under the authority of the <a href="#">Legislation Act 2019</a> .	
Title	Gas Distribution Services Default Price-Quality Path Determination 2026
Principal or amendment	Amendment
Consolidated version	No
Empowering Act and provisions	Commerce Act 1986 Section 52P
Replacement empowering Act and provisions	Not applicable
Maker name	Commerce Commission
Administering agency	Commerce Commission
Date made	X 2026
Publication date	X 2026
Notification date	X 2026
Commencement date	X 2026
End date (when applicable)	Not applicable
Consolidation as at date	Not applicable
Related instruments	Gas Distribution Services Default Price-Quality Path Determination 2022