

Proposed amendments to input methodologies for Gas Transmission Services

Amendments related to the 2026 Gas
default price-quality path

Draft decision reasons paper

27 November 2025



Associated documents

Publication date	Reference	Title
27 November 2025	ISBN 978-1-991414-36-6	Gas DPP4 - Default price-quality paths for gas pipeline businesses from 1 October 2026 - Draft decision reasons paper
27 November 2025	ISBN 978-1-991414-33-5	[DRAFT] Gas Transmission Services Input Methodologies Amendment Determination (No.1) 2026
28 September 2012	ISSN 1178-2560	Gas Transmission Services Input Methodologies Determination 2012 [2012] NZCC 28 ('GTB principal determination')

Contents

Associated documents.....	1
Chapter 1 Draft Amendments	3
Purpose of this paper	3
Reducing the volatility of the GTB revenue path	4
<i>Current requirements</i>	<i>4</i>
<i>Draft decision and implementation.....</i>	<i>4</i>
<i>Reasons for our draft decision</i>	<i>4</i>
Correcting errors in the GTB revenue wash-up.....	5
<i>Current requirements</i>	<i>5</i>
<i>Draft decision and implementation.....</i>	<i>5</i>
<i>Reasons for our draft decision</i>	<i>6</i>
Chapter 2 Process and how to make a submission	7
<i>Relationship to other consultation processes</i>	<i>7</i>
<i>Materials published alongside this paper</i>	<i>7</i>
<i>How you can provide your views</i>	<i>7</i>
Chapter 3 Decision making framework.....	9
<i>Purpose and structure of this chapter</i>	<i>9</i>
<i>Framework for considering the scope of potential IM amendments.....</i>	<i>9</i>
<i>Statutory context</i>	<i>9</i>
<i>Amendments inside and outside of the IM statutory review cycle</i>	<i>11</i>
<i>Amendments outside of the statutory IM review cycle</i>	<i>11</i>
<i>The decision-making framework we have applied.....</i>	<i>12</i>

Chapter 1 Draft Amendments

Purpose of this paper

- 1.1 This paper sets out and explains our draft decisions on the following amendments to the gas transmission business (GTB) input methodologies (IMs):
 - 1.1.1 adjusting the limit on wash-up drawdown amounts to reduce volatility of the GTB revenue path; and
 - 1.1.2 correcting errors in the drafting for the GTB revenue wash-up account balances.
- 1.2 For each of the above matters, we describe:
 - 1.2.1 the current IM requirements;
 - 1.2.2 the proposed draft IM amendments; and
 - 1.2.3 how the draft IM amendments are likely to promote the IM amendments framework outcomes, as defined in Chapter 3.
- 1.3 We consider that the IM amendments we are proposing in this default price-quality path (DPP) reset process are consistent with the framework for IM amendments outside of statutory review processes.
 - 1.3.1 We consider the amendments to the specification of wash-up drawdown amounts available in any given year reduce volatility in the GTB revenue path and thus support incremental improvements to price-quality paths.
 - 1.3.2 We also consider the amendments we are proposing to make to the GTB revenue wash-up provisions correct technical errors and give effect to the policy intent in the IM Review 2023.¹

¹ As amended in *Gas Transmission Services Input Methodologies (IM Review 2023) Amendment Determination 2023* [2023] NZCC 36

Reducing the volatility of the GTB revenue path

- 1.4 The two-year lag between the accrual and drawdown of a wash-up balance can cause volatility in wash-up balances.² Wash-up balances can “swing” above and below zero as the GTB attempts to draw down its available balance as fast as possible.³ This volatility may flow into prices, creating swings in the prices experienced by consumers.

Current requirements

- 1.5 As currently specified in the IMs, due to the timing of various disclosures, there is an unavoidable two-year lag between accrual of a wash-up balance and the ability for the GTB to draw down that balance.

Draft decision and implementation

- 1.6 Our draft decision is to change the specification for wash-up drawdown amount available, in any given year, to remove the wash-up drawdown amount already drawn down in the prior year.⁴
- 1.7 As part of the implementation, we also propose to make a time value of money adjustment to both the wash-up account balance (WAB) term two years prior and the wash-up accrual term one year prior in the wash-up drawdown limit.

Reasons for our draft decision

- 1.8 The addition of the prior year’s drawdown term and the time value of money adjustments will promote the IM amendments framework outcomes (particularly the section 52A Part 4 purpose) by reducing the volatility associated with the wash-up. The changes would reduce the volatility in the wash-up balance by allowing for a more accurate representation of the amount available for the GTB to draw down each year.
- 1.9 The GTB has more up-to-date knowledge about amounts drawn down than is currently acknowledged by the wash-up provisions in the IMs. By using this information, we can reduce over (or under) drawdown of WABs, which in turn helps reduce price volatility.
- 1.10 With these changes in place, only the wash-up accrual for the year prior would not be accounted for in the current year’s WAB (because the necessary information is not available when prices are set), thus minimising as much as possible the ‘swinging’ effect.

² The wash-up account balance represents the difference between the forecast revenue and actual revenue which is eligible to be recovered and the wash-up drawdown about is the amount recovered from the wash-up account balance in any given year.

³ A wash-up balance may swing below zero in instances where over-recovery of revenue outweighs under-recovery.

⁴ Note that we are not proposing to make any amendments to the timing of disclosures.

Correcting errors in the GTB revenue wash-up

- 1.11 The transitional arrangements for the revenue wash-up provided in the GTB IMs do not function as intended.
- 1.12 As currently specified in clause 3.1.4 of the GTB IMs, there is no WAB 2025 term, only a WAB 2026 term.⁵ This means that any wash-up accrual amount accrued in 2025 cannot be drawn down in 2027 as intended and instead would have to be drawn down in 2028 along with the 2026 WAB. This three-year lag between accrual and drawdown creates additional volatility with the revenue wash-up.
- 1.13 Additionally, the time value of money adjustments used to roll-forward the wash-up balance in present value terms between DPP periods were not clearly defined, leading to potential ambiguities in what the adjustments should be.

Current requirements

- 1.14 During the 2023 IM Review we made changes to the way the GTB revenue wash-up operates.⁶ The intent of these changes was to improve the function of the wash-up by providing “a one big bucket approach to all mechanisms that true-up for forecast versus actual differences” and “a wash-up account that tracks accruals, balances, time-value-of-money and drawdowns”.⁷
- 1.15 To implement these changes, transitional arrangements were created, which were intended to provide the GTB with the ability to draw down balances accrued in DPP3 in the first two years of DPP4. However, the transitional arrangements provided in the 2023 IM Review did not include a WAB 2025 term.
- 1.16 This means that, as specified, any wash-up accrual that occurs in pricing year 2025 (PY2025) does not get acknowledged by the wash-up mechanism until PY2026 when it is included in the WAB for 2026. As a consequence of this, the GTB is unable to draw down the WAB for 2025 in PY2027 as originally intended.

Draft decision and implementation

- 1.17 Our draft decision is to amend clause 3.1.4 of the GTB IMs to include the WAB 2025 term. Including this term allows the GTB to draw down its accrued DPP3 wash-up balance in PY2027 as intended.

⁵ *Gas Transmission Services Input Methodologies Determination 2012* [2012] NZCC 28.

⁶ [Commerce Commission "Input methodologies review 2023 - Final decision - Financing and incentivising efficient expenditure during the energy transition topic paper" \(13 December 2023\)](#), Attachment D.

⁷ *Ibid*, paragraph D87.

- 1.18 Alongside these changes and as part of the implementation of our draft decision, we propose adding additional subclauses in clause 3.1.4 of the GTB IMs consolidating and explicitly stating which cost of capital estimates apply when making time value of money adjustments.

Reasons for our draft decision

- 1.19 When specifying the transitional arrangements in the 2023 IM Review, our intent was to provide the GTB with the ability to draw down wash-up balances accrued in PY2025 and PY2026 with a two-year lag.
- 1.20 As noted, the lack of a WAB 2025 term in the provisions prevents the GTB drawing down any wash-up balance accrued in 2025 until PY2028, rather than PY2027 as intended. This change will promote the IM amendments framework outcomes (particularly the s 52R IM purpose) by correcting this error.
- 1.21 The draft decision to add a clause specifying the cost of capital estimate to be used in making the time value of money adjustment will promote the IM amendments framework outcomes (particularly the s 52R IM purpose) by improving certainty.

Chapter 2 Process and how to make a submission

- 2.1 The draft amendments to the GTB IMs described in this paper are made in accordance with s 52X of the Commerce Act 1986 (the Act).
- 2.2 In accordance with s 52V of the Act, we published on 24 November 2025 a Notice of Intention relating to the proposed IM amendments set out in this paper.
- 2.3 The proposed amendments have been assessed in accordance with the decision-making framework outlined in Chapter 3.

Relationship to other consultation processes

- 2.4 We are publishing this draft amendment alongside our draft decisions on the Gas DPP 2026 reset so that consultation can occur alongside consultation on the draft decisions for the Gas DPP 2026 reset.

Materials published alongside this paper

- 2.5 Alongside this paper we have published a draft Gas Transmission Services Input Methodologies Amendment No.1 Determination 2026.

How you can provide your views

- 2.6 If you would like to provide your views on our draft decisions outlined in this paper, please send a submission and/or cross-submission in MS Word or pdf document format with your views to:
 - 2.6.1 Matthew Clark, Transpower and Gas Manager c/o
infrastructure.regulation@comcom.govt.nz
- 2.7 Please include “Gas DPP4 2026 – Views in response to draft decisions on input methodologies amendments” in the subject line of your email.
- 2.8 Submissions are due by 5pm Thursday 22 January 2026. We will publish them on our website shortly after.
- 2.9 Cross-submissions will be due by 5pm Thursday 12 February 2026.
- 2.10 We prefer submissions and cross-submissions to be sent to us in both a format suitable for word processing (such as a Microsoft Word document) as well as a ‘locked’ format (such as a PDF) for publication on our website.

- 2.1 If it is necessary to include confidential material in a submission, the information should be clearly marked, with reasons why the information is confidential. We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public' version. The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.

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 draft decisions. In doing so, it explains:
 - 3.1.1 our framework for considering potential 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 draft amendments.

Framework for considering the scope of potential IM 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, section 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.⁸

⁸ *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289 at [213].

- 3.5 However, some uncertainty remains inevitable.⁹ 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”,¹⁰ and “there is a continuum between complete certainty at one end and complete flexibility at the other”.¹¹
- 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, but also in other aspects of the regime, such as the restrictions on reopening DPPs during their regulatory periods.¹²
- 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.¹³

⁹ *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289 at [214].

¹⁰ *Commerce Commission v Vector Ltd* [2012] NZCA 220 [2012] 2 NZLR 525 at [34].

¹¹ *Commerce Commission v Vector Ltd* [2012] NZCA 220 [2012] 2 NZLR 525 at [60].

¹² For further discussion see *Wellington International Airport Ltd & others v Commerce Commission* [2013] NZHC 3289 at [213]-[221].

¹³ 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].

- 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.

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.¹⁴ 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.¹⁵
- 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 IM 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

¹⁴ The next statutory Part 4 IM review is due to be completed by 2030.

¹⁵ 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.

- 3.20.2 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.
- 3.22 However, we can and will reconsider fundamental building blocks IMs where there is a compelling and urgent rationale for doing so.¹⁶

The decision-making framework we have applied

- 3.23 In deciding whether to make IM amendments as part of the Gas DPP 2026 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.¹⁷ This has been consulted on and used as part of prior processes, and it helps provide consistency and transparency in our decision-making.
- 3.24 Specifically, in respect of each draft amendment we considered whether it would:
- 3.24.1 promote the Part 4 purpose in s 52A of the Act more effectively;
 - 3.24.2 promote the IMs purpose in s 52R of the Act more effectively (without detrimentally affecting the promotion of the s 52A purpose); and/or
 - 3.24.3 significantly reduce compliance costs, other regulatory costs, or complexity (without detrimentally affecting the promotion of the s 52A purpose).
- 3.25 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:
- 3.25.1 whether there were alternative ways to address the identified issues without changing the IMs;
 - 3.25.2 the permissive considerations under s 5ZN of the Climate Change Response Act 2002;¹⁸ and

¹⁶ 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.

¹⁷ See [“Commerce Commission: Part 4 Input Methodologies Review 2023 Framework paper” \(13 October 2022\)](#), para X20-X21

¹⁸ [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 \(21 December 2022\)](#).

3.25.3 other Part 4 provisions, namely:

3.25.3.1 the purpose of information disclosure (s 53A); and

3.25.3.2 the purpose of default/customised price-quality regulation (DPP/CPP regulation) (s 53K).

3.26 We refer to the outcomes specified in paragraph 3.24 as the ‘IM amendments framework outcomes’ in this paper.