Rewiring Aotearoa submission on the Gas DPP4 reset 2026 - Draft Decision

About Rewiring Aotearoa

Rewiring Aotearoa is an independent non-partisan non-profit, funded by New Zealand philanthropy. It is a registered charity working on energy, climate, and electrification research, advocacy, and supporting communities through the energy transition. The team consists of New Zealand energy, policy, and community outreach experts who have demonstrated experience both locally and internationally. We're always fighting for the New Zealanders who use the energy system, and our goal is to help build a low cost, low emissions, high resilience electrified economy for Aotearoa NZ.

Context

The Commission notes that the "long-term outlook, similar to the outlook when we last reset the price-path in 2022, is for a significant reduction in gas consumption over the coming decades. Despite domestic gas production declining faster than the market expected, we see an ongoing appetite for gas from households, businesses and power generation for at least the next 20 years."

Rewiring Aotearoa view is that there is increasing uncertainty over the ongoing role of gas in our energy mix, particularly post 2040, and that it is important to acknowledge in this current price path reset.

Domestic gas supply expectations have been significantly revised down by MBIE and gas price pressure is accelerating fuel switching for firms who have viable alternatives.

Current political activity has added to uncertainty over the future role of gas transmission and distribution. This includes exploring LNG import and seeking expressions of interest on a $200 million fund to incentivise domestic gas exploration, production and storage.

We do not anticipate investment in LNG import facilities to benefit the majority of New Zealand industrial and large commercial gas users because the cost of imported LNG would be higher than the current elevated domestic gas prices. As the Commerce Commission notes in its decision paper "a range of medium to large businesses, across different sectors, described facing significant cost pressures and operational challenges due to elevated energy prices." Gas price

pressure would persist with investment in LNG facilities and likely result in similar patterns of fuel switching and business closure.

Inputs for gas demand forecasting

Rewiring Aotearoa strongly encourages the Commerce Commission to consider soon to be released national Regional Energy Transition Accelerator (RETA) analysis by EECA, and use this to revisit forecasts of industrial and large commercial gas demand over time. Work is underway to utilise RETA data on process heat users with updated assumptions on technology and fuel prices to deliver an improved understanding of the economics, timelines and technical potential for decarbonisation of industrial process heat, which includes much of our domestic natural gas use.

This work is collating and analysing the national data set from the Regional Energy Transition Accelerator workstream. The RETA project has collected comprehensive data from all regions across the country on existing large process heat users, in partnership with Electricity Distribution Businesses (EDBs) and Transpower.
Given the drop in battery technology prices, which can reduce network connection requirements, cost and investment timelines, and improvements in heat pump technology, this updated analysis could highlight faster and more affordable pathways for electrification of industrial and commercial gas users.

Consumer connection capex paid by new connection capital contribution

Rewiring Aotearoa strongly supports the Commerce Commission's draft decision to not allow for growth capex and agrees that GPBs should ensure new connections pay their way and do not impose costs on the existing consumer base.

We suggest the Commission goes further on this. In its draft decision the Commission had made allowances for consumer connection capex for Firstgas Distribution, GasNet and Powerco which is lower than their 2025 AMP forecasts. Rewiring Aotearoa's view is that all these firms should move to a full capital contributions policy where connecting parties pay all capital costs of their connection up-front and the Commerce Commission should make no allowances for consumer connection capex.

Whilst we acknowledge that there will be benefits from more customers connecting to the gas distribution network as ongoing costs can be shared over a

large pool of customers, we think on balance it is in the best interest of gas customers to require new connections to cover the full capital cost of their connection up-front.

Policy intervention is needed to improve customer outcomes

Given the uncertainty over the gas demand forecasting there are risks that some gas distribution businesses could face negative cashflows earlier than the horizon over which the Commission is forecasting gas demand to continue and whilst customers remain reliant on supply from gas distribution networks.

The current regulatory regime for gas pipeline businesses requires the Commission to determine revenue recovery under significant uncertainty. This creates risk of negative outcomes for consumers and does not give the Commission the regulatory or policy tools to address these consumer risks or adequately manage the trade off between customer affordability and providing for financial capital maintenance for gas pipeline businesses as gas customers continue to decline.

As we have noted in our previous submissions, Rewiring Aotearoa's view is that a sensible approach would involve Government policy intervention including a managed gas transition where customers are enabled to access electrification where it will save them money; this would include households and many commercial and industrial low temperature heat users. This would free up limited gas supply for those customers who have higher costs or limited technical options to shift away from gas in the near-term.

Policy could support a staged approach to distribution network retirement, starting with parts of the network with dwindling demand where costs to maintain supply greatly outweigh revenue recovery. Targeting support can help to switch remaining customers to alternative fuel types in these areas. Policy could also restrict new residential and commercial gas connections.

These types of policy measures could greatly improve the certainty over future customer gas demand and timeline for gas distribution network decommissioning. This would enable the Commission to make decisions on cost recovery that better weight up trade offs and improve consumer outcomes and signal where further Government intervention may be needed. However these policy measures predominately sit outside the Commerce Commission's mandate and therefore it is not possible for the Commission to consider this consumer centric future in the cost recovery decision unless signalled by Government.

No regrets policy measures

Given the current political uncertainty and rapidly declining domestic gas supply, Rewiring Aotearoa have identified some no regrets opportunities the Commerce Commissions could engage with government agencies on that would benefit consumers regardless of our future gas supply and consumption outcomes. These include:

1. Growing an electrification loans capital fund, where the fund can be used to support staged distribution network decommissioning, and support customers if network assets become stranded.
2. Ensure all customers have the option for a low cost disconnection at the meter.

Government electrification fund used to underwrite a managed gas transition

There are various risks associated with revenue recovery, affordability and how decommissioning of gas networks are paid for, for example:

1. Given current gas demand uncertainty, network assets may still become stranded (cashflow negative) despite the earlier cost recovery proposed in the draft decision, and gas distribution businesses have no obligation to supply remaining customers at a loss. This creates a financial liability for the Government who may need to underwrite any cashflow negative gas distribution network until the last customers could be transitioned away from gas and support customers to switch to alternatives.
2. The cost recovery from customers remaining on gas distribution networks could escalate as more and more customers disconnect, and costs are spread over a much smaller customer base. This could create affordability issues for lower income households and renters who have less access and control over electrification of their properties and are more likely to be stuck with high cost residential gas appliances as gas price increases.
3. There are no cost recovery provisions for gas pipeline businesses to fund decommissioning of networks at end of life and the cost of this could become a liability for tax payers.

Government funding could be set aside as a backstop solution that could be used as needed overtime to support a managed gas transition. The fund could target support for a staged gas network decommissioning, when this would maximise consumer benefits. For example the fund could:

1. Proactively help fund staged network decommissioning (for example funding decommissioning of parts of gas distribution networks with dwindling demand and target fuel switching support to any remaining customers).

2. Write down some of the gas distribution asset value and reduce revenue recovery.
3. Fund the final stage of gas distribution network decommissioning if not undertaken by gas pipeline businesses at the end of gas network life.

The fund could help avoid an unplanned liability for tax payers to decommission gas networks and ideally avoid costs associated with an unmanaged gas transition associated with stranded gas network assets. Although if this outcome did occur the fund could help support customers in this circumstance. This could be done via allocating funds to underwrite operation of stranded gas network assets until remaining customers are moved off gas (and supporting these customers to switch).

The fund would not be needed immediately and could be grown through investment in electrification loans. This would provide a win-win by supporting households to access affordable capital that could be used to invest in household electrification and solar that would currently save on average $1,800 per year and help these homes avoid affordability issues associated with increasing gas prices.

The fund would therefore be put to work to help save the economy money on imported fossil fuels. New Zealand households and businesses spend around $20 billion on fossil fuels every year, most of which are imported. Electrifying New Zealand households by replacing fossil fuel appliances and vehicles with electric alternatives, along with adding rooftop solar and batteries, presents an opportunity to save thousands on cost of living, and could save New Zealand around $10.7 billion per year by 2040.[1]

The proposed Ratepayers Assistance Scheme (RAS) with Electrification Loans included could provide an additional pathway for electrification loans. See https://www.rewiring.nz/ras for more information. Mechanisms to co-fund low income household electrification could also be explored.

Ensure all customers have the option for low cost disconnection

As Rewiring noted in previous submissions - customers can be hit with the full cost to close off the connection of the gas pipe on their property from the gas network pipeline. This full decommission of the connection involved digging at the edge of the property to manually close off the connection. This means the pipes on the property are no longer live (i.e. filled with gas). We have heard that this cost can be up to $3,000. The other option is simply to turn off the connection at the meter on the property. This option only costs around $300, and

[1] https://www.rewiring.nz/tomorrow

whilst the gas pipelines on the property are still live - the risk here is the same as when the household is using gas.

Some gas distribution networks require their customer to undertake the higher cost $3,000 option, and some retailers may still charge customers a daily charge if they do not undertake the permanent costly full connection decommissioning. Others allow customers to choose if they want to fully decommission their connection and pay the cost of this, or take the lower cost alternative and turn off at the meter.

We think all customers should get to choose between paying around $3,000 vs $300 to disconnect from gas with no further ongoing gas charges. This is something that the Commerce Commission should progress, including through engagement with other government agencies, following the DPP4 reset.

This will remove a barrier to electrification which can help to significantly lower consumer energy bills.