

Letter to the Commerce Commission

12 February 2026

To: Matthew Clark, Manager, Transpower and Gas,
infrastructure.regulation@comcom.govt.nz .

From: Ben Gerritsen, General Manager Customer and Regulatory, Firstgas; Stuart Dickson, General Manager Customer, Powerco Mark Toner, Chief Public Policy & Regulatory Officer, Vector

Kia Ora Matt and the Gas Reset Team

Gas DPP4 2026 – Cross-submission on draft decision

This is a joint cross-submission made by the three largest gas pipeline businesses (**GPBs**), Firstgas, Powerco and Vector. It responds to submissions made on the *Gas DPP4 reset 2026 Draft Decision (Draft Decision)* that were published by the Commerce Commission (**Commission**) on 28 January 2026.

This process is crucial as it ensures all stakeholders can contribute their perspectives, identify potential impacts, and address any concerns raised in both the draft decision and other parties' submissions.

Our cross-submission comments on two key themes raised in submissions – scenario modelling and the impact of accelerated depreciation – where recent activity by the Gas Infrastructure Future Working Group (**GIFWG**) is relevant. However, as with our submission on the *Draft Decision*, it is not a comprehensive submission. It complements the cross-submissions that each business will provide separately.

Scenario modelling

In its submission on the *Draft Decision*, the Major Gas Users Group (**MGUG**) is critical of the Commission's scenario modelling, particularly its focus on a 'single speculative stranding scenario'.¹ MGUG is concerned that this focus has led the Commission to err in its proposal to retain accelerated depreciation for the DPP4 period.

As foreshadowed in our submission on the *Draft Decision*, GIFWG has refreshed its scenario analysis.² The *Refreshed Analysis Paper* – included as **Attachment A** – assesses outcomes for cost recovery, GPBs and consumers under three alternative downside scenarios to those considered by the Commission; two where the gas networks remain operational indefinitely after some demand retreat, and one where supply-constraints lead to a winddown by 2040.

The analysis finds that:

- cost recovery risk persists for gas pipeline businesses under all modelled downside scenarios, even with accelerated depreciation, due to declining volumes and constrained consumer willingness to pay

¹ Major Gas Users Group, *Re: Gas DPP4 Reset 2026*, 22 January 2026, p.10 (see [link](#)).

² Firstgas, Powerco, and Vector, *Gas DPP4 2026 – Submission on draft decision*, 22 January 2026.

- financial viability for GPBs is at risk, with weaker cash flows and creditworthiness emerging earlier and more sharply as demand falls and asset stranding risk increases
- gas consumers face upward pressure on prices and affordability, with more rapid supply-driven winddown scenarios resulting in sharper price increases and loss of reticulated gas choice.

The paper highlights the importance of regulatory and policy responses to manage these risks and to support both infrastructure owners and consumers.

These findings reinforce many of the points raised in the *Draft Decision*, including that the long-term outlook of declining gas use presents a risk for GPBs.³ It also responds to concerns raised by MGUG, including that the Commission is seeking to provide an ‘ex-post outcome guarantee’.⁴ The *Refreshed Analysis Paper* suggests that, even with the accelerated depreciation adopted in the *Draft Decision*, GPBs remain exposed to cost recovery risk because pipeline usage is insufficient to recover allowed revenues.

We encourage the Commission to consider the insights offered by the *Refreshed Analysis Paper*, especially in light of concerns raised by stakeholders such as MGUG.

Impact of accelerated depreciation

MGUG also submitted a report by Castalia that considered the Commission’s proposal to retain accelerated depreciation for the DPP4 period.⁵ Castalia conclude that ‘*the Commission’s approach to asset stranding risk is based on very particular assumptions about the gas sector.*’⁶

There are multiple valid approaches to assessing asset stranding risk, with outcomes sensitive to underlying assumptions. The *Refreshed Analysis Paper* offers an alternative, yet complementary, assessment to that adopted by the Commission. It highlights that even under more optimistic downside scenarios – such as where there is imported LNG and growth in renewable gases – cost recovery risk remains real, and regulatory responses and incentives remain relevant to manage consequences for both infrastructure owners and gas consumers.

To better understand the points raised and modelling undertaken by Castalia, we engaged HoustonKemp to peer review section 4 and appendix A of its report. In its memo – included as **Attachment B** – HoustonKemp observe that Castalia’s modelling of gas capital charges is stylised and unrealistic due to significant simplifications.

In our view, the Commission should continue to apply accelerated depreciation over the DPP4 period. Both the GIWFG’s *Refreshed Analysis Paper* and the Commission’s own asset stranding risk analysis support this. HoustonKemp’s memo helps put the Castalia report in context, noting key limitations and inaccuracies with the conclusions made.

³ Commerce Commission, *Gas DPP4 reset 2026 – Default price-quality paths for gas pipeline businesses from 1 October 2026 – Draft decision - reasons paper*, 27 November 2025, para.X8 (see [link](#)).

⁴ Major Gas Users Group, *Re: Gas DPP4 Reset 2026*, 22 January 2026, p.6.

⁵ Castalia, *Evidence-based assessment of accelerated depreciation of gas transmission and distribution networks*, January 2026 (see [link](#)).

⁶ Castalia, *Evidence-based assessment of accelerated depreciation of gas transmission and distribution networks*, January 2026, p.6.

Conclusion / Next steps

We look forward to engaging further with the Commission as it continues towards its final DPP4 decision over the coming months. Our cross-submission and attachments contain no confidential material and we are comfortable with these being published on the Commission's website.

We would be pleased to discuss any aspect of these in greater detail if that would assist the Commission's considerations.

Ngā mihi nui,



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Attachment A: Refreshed Analysis Paper

Attachment B: HoustonKemp Memo