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Gas Industry Co
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By email: consultations@gasindustry.co.nz

Powerco submission on *Extending the Electricity Price Review's Final Recommendations to the Gas Market*

Powerco appreciates the opportunity to comment on the Gas Industry Company's (GIC's) initial assessment of whether recommendations of the Electricity Price Review (EPR) should be extended to the gas market.

We commend the GIC for proactively considering the application of the EPR recommendations, particularly when looking at hardship initiatives. The Electricity Price Review panel's First Report¹ highlighted the scale of energy hardship in New Zealand. Nearly a third of all households struggle to pay their power bills or spend a large part of their income on power. In addition, low-income households spend proportionately more on energy and are likely to be more heavily affected by the transition to a low-emissions economy.² As noted in the report, 'affordability is clearly a problem the industry, regulators and government must tackle together'.

Given this overlap and the important and ongoing role of gas in meeting consumers energy needs we think it is prudent to consider whether these recommendations could benefit the gas market and consumers of gas. We have reviewed the consultation paper and by and large agree with GIC's commentary and assessment.

Attachment 1 contains our responses to GIC's consultation questions. If you have any questions on this submission, please contact Nathan Hill (Nathan.Hill@powerco.co.nz).

Yours sincerely

A handwritten signature in black ink, appearing to read "AK".

Andrew Kerr
Head of Policy, Regulation, and Markets

¹ Electricity Price Review – Hikohiko Te Uira: First Report (30 August 2018)

² Low-emissions economy report, Productivity Commission, p 292.

Attachment 1: Powerco's response to consultation questions

Question No	Question	Powerco response
Q1.	<p>Do you support the role of the CAC being extended to Gas markets for the benefit of residential and small business Gas consumers? If so, when should it occur?</p> <p>What measures should GIC be taking to better engage with of residential and small business Gas consumers?</p>	<p>Yes, we support the role of the consumer advocacy council being extended to the gas market. This will strengthen the consumer voice and recognise the important and ongoing role of gas in meeting consumers energy needs. Where gas and electricity markets overlap, better coordination and communication between industries can improve outcomes for consumers.</p> <p>The GIC should be undertaking market research to understand gas consumers and their opinions towards their gas supply.</p>
Q2.	<p>Do you support the extension of the energy hardship initiatives in B1- B6 and B8 to include Gas (please address each separately)?</p> <p>Do you support the extension of the electricity market arrangements on PPDs to Gas?</p>	<p>Yes, we support the inclusion of gas and other energy sources in the EPR energy hardship initiatives. Improving energy hardship and affordability will require initiatives across the entire energy sector, so it is important the hardship group's remit includes all energy sources used by consumers.</p>
Q3.	<p>Do you support the extension of PowerSwitch to include LPG (reticulation and bottles)?</p>	

	Do you support GIC's views on the initiatives in C1–C6 (please address each separately)?	Yes, we support GIC's views on the initiatives in C1-C6. C3: Having a streamlined way to process consumption data requests may be of value in the future eg for assessing infrastructure impacts of fuel switching.
Q4.	Do you support GIC's views in respect of the initiatives in D1 to D4 (please address each separately)?	
Q5.	Do you support GIC's initial view to not extend the initiatives in E1-E4 to include Gas (please address each separately)?	E1: We agree that a government policy statement on gas transmission pricing is not required E2: We agree that a government policy statement on gas distribution pricing is not required E3: The roll-out of gas smart meter technology is beginning. Our preference is that data access is considered alongside the roll-out, not after. The Technical Advanced Metering Advisory Committee may be a suitable group to consider this issue. E4: We do not believe there is a need to give the Commerce Commission more powers to regulate gas distributors. The grounds for the EPR recommendation are not features of the gas market.
Q.6	Do you support GIC's initial view to not extend the initiatives in F1-F4 to include Gas (please address each separately)?	F1: We support GIC's proposed "watching brief" approach. F2: We agree with GIC's commentary. F3: We agree with GIC's commentary. F4: We agree this recommendation is not relevant to the gas market.
Q.7	Do you support the extension of the initiatives in G1-G4 to include Gas (please address each separately)?	G1: We agree that gas should be included in any Government initiatives to encourage more energy sector innovation. Including gas recognises its important and ongoing role in meeting consumers energy needs and helps ensure gas consumers benefit from technology advancements. G2: We agree the impact of New Zealand's fuel diversity on security of supply and resilience should be examined. G4: We agree with GIC's commentary.