Entrust
Majority shareholder of Vector

21 JANUARY 2026: SUBMISSION TO THE COMMERCE COMMISSION REGARDING THE GAS DPP4 DRAFT DECISION

Gas price reset needs to ensure investment cost-recovery in face of decreasing demand

The Commerce Commission (Commission) needs to carefully balance cost recovery, and the impact of recovering network costs over a declining customer base, against price shock risk.

Entrust considers that key issues for the gas default price-quality path 2026 (DPP4) reset decision include managing uncertainty about the future demand for gas, asset stranding risk and intergenerational equity.

Entrust Submission

- Entrust welcomes that the Commission has been mindful of the risks involved in trying to recover costs from what could be a much smaller customer group in the future.

- A heavy emphasis of our submissions has been on the risk of an unfair and inequitable transition away from gas.[1]

Ensuring recovery of prudent and efficient costs

- Entrust supports the continued adoption of accelerated depreciation. A question we still have is whether the rate of accelerated depreciation should be higher. We previously commented that even with the increases in gas network prices the Commission is proposing, network prices would still be lower than they were 12-years ago.[2]

  We do not consider that the Commission has good basis for retaining its 2050 and 2060 industry wind-down scenarios for accelerated depreciation, particularly as cash flows are forecast to be negative well before those dates.

- Entrust does not consider that the Commission has provided sound justification for retaining a weighted average price cap as the form of control. We remain of the view that a move to a revenue cap is justifiable given volume and connection forecasting risks.[3]

- Entrust remains of the view that the Commission should consider decommissioning costs as part of the DPP4 determination. We do not consider that waiting until DPP5 is in the long-term interests of consumers.[4]

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[1] e.g. https://www.entrustnz.co.nz/media/yckj4edm/entrust-x-sub-gas-dpp4-issues-paper-2025-08-13.pdf.
[2] https://www.entrustnz.co.nz/media/2usp41b0/20250724-submission-regarding-the-gas-draft-dpp4-issues-paper.pdf
[3] https://www.entrustnz.co.nz/media/2usp41b0/20250724-submission-regarding-the-gas-draft-dpp4-issues-paper.pdf
[4] https://www.entrustnz.co.nz/media/2usp41b0/20250724-submission-regarding-the-gas-draft-dpp4-issues-paper.pdf

Entrust and consumer advocate groups have similar equity concerns

- We welcome that the Commission has talked to consumer advocates and we share their concerns that "Low-income households, renters, and seniors face significant affordability and structural barriers to transitioning away from gas." Not all households can readily afford to switch from dual fuel to electricity only. There are upfront costs from making the transition even if it results in lower energy bills and the customer being better off overall.[5]

- We agree with the consumer advocates that there is a risk many consumers could be "'stuck' with rising costs and few options."

- The consumer advocacy group views, as well as earlier submissions from Consumer NZ and Rewiring Aotearoa, provide a useful counterbalance to MGUG who seems to advocate that mass market customers should 'pick up the tab' for future gas pipeline business cost recovery.[6]

Endorsement of fully funded capital contributions is welcome

- We strongly agree with the Commission's position that capital contributions have an important role to play to ensure new connections "pay their way" and don't impose additional costs on existing customers. We also agree new customers can help spread costs across a larger customer base, but this depends on the size of the "upfront contribution they pay when connecting."

  The Commission's position, that the fully funded approach to capital contributions protects consumers, is in clear conflict with the Electricity Authority which considers the fully funded approach to be a problem.[7]

- The Commission's position on capital contributions is consistent with the "growth pays for growth" approach the Government is taking to reform of the Development Levies System.[8] There is a clear emphasis in the reforms on ensuring councils can adequately recover the growth-related costs of infrastructure through development contributions and making sure costs do not fall on ratepayers.

Price smoothing

- If the Commission is going to smooth Vector's price path, we agree this should be done over the first two years of the regulatory control period (RCP) rather than the entire RCP.

- We note the issue of the Commission moving from a rate of the day (ROTD) to a trailing average cost of debt (TACD) WACC has received a lot of recent attention with a groundswell of support from regulated suppliers, retailers and consumers. Entrust supports adoption of TACD.[9] The Commission should use gas DPP4 as a pragmatic, 'first cab off the rank', opportunity to address this issue.

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[5] https://www.entrustnz.co.nz/media/yckj4edm/entrust-x-sub-gas-dpp4-issues-paper-2025-08-13.pdf
[6] https://www.entrustnz.co.nz/media/yckj4edm/entrust-x-sub-gas-dpp4-issues-paper-2025-08-13.pdf
[7] Entrust, submission to Electricity Authority regarding distribution connection pricing, 15 December 2025.
[8] https://www.dia.govt.nz/diawebsite.nsf/Files/Local-Government-2025/$file/Development-levies-consultation-document-26-Nov-2025.pdf
[9] See, for example, most recently https://www.entrustnz.co.nz/media/ds0k4eta/2024-07-03-submission-to-commerce-commission-regarding-dpp4-draft-decision.pdf and https://www.entrustnz.co.nz/media/xrelbpb1/2023-07-19-submission-ims-decision.pdf.

Concluding remarks

The decline in demand for gas justifies departure from some elements of the approach to economic regulation that is applied to airports, electricity, fibre and water.

Entrust considers that the Commission should further accelerate depreciation, provide for recovery of decommissioning costs and consider adoption of a revenue cap as applies to Chorus.

A concern we have is that the approach the Commission is proposing to cost recovery could offer some short-term financial relief for consumers, but this could be at the expense of larger, future price shocks and cost recovery challenges.

Kind Regards,

Alastair Bell
Chair of Regulation and Policy Committee