

13 March 2025

**Commerce Commission**

Manager, Transpower and Gas

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**Re: Open Letter on Gas DPP4 2026 Price - Quality Path**

Utilities Disputes Limited | Tautohetohe Whaipainga (UDL) welcomes the opportunity to comment on the Commerce Commissions’ (Commission) letter, *Open Letter on Gas DPP4 2026 Price-Quality Path Reset (Open Letter)*. UDL supports the work of the Commission as it considers the most cost-effective strategy that will take into account climate change commitments, and the needs of business and residential consumers:

Our task is to make decisions at each DPP<sup>1</sup> reset that promote the long-term benefit of consumers of natural gas pipeline services, consistent with section 52A of the Act. In the current context, this includes an increasing focus on balancing GPB’s incentives to maintain a safe and reliable network meeting consumer demand, with the longer-term risks of not being able to fully recover asset-related costs in the context of expected declines in gas volumes.<sup>2</sup>

UDL makes some brief observations of the proposal arising from its function as the industry complaint handler and relies on other industry actors to submit on the other aspects of the proposal.

**Utilities Disputes – Gas Complaints**

UDL operates the mandatory Energy Complaints Scheme (ECS). UDL is a not for profit company. There is no cost for a consumer to make a complaint. All gas retailers and distributors, subject to any exemption, are members of the Energy Complaints Scheme.<sup>3</sup> The ECS also considers complaints about electricity.

In the last year UDL received 317 complaints about reticulated natural gas. Around 60% of these complaints involved billing issues and 40% involved customer service issues. Less common issues include equipment (8%), disconnection (6%) and supply (3%). Most complaints are resolved by the provider with UDL’s assistance through a summary document including details of what might resolve the complaint. 25% of complaints are resolved through UDL actively facilitating a resolution between the parties, and just over 1% require a recommendation from the Commissioner. In contrast to electricity, it is rare for a reticulated gas complaint to be about the quality of supply guarantee under the Consumer Guarantees Act 1993. This is likely due in part to electricity being susceptible to weather events and external interference.

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<sup>1</sup> Default Price Quality Path (footnote not in original).

<sup>2</sup> *Open Letter*, 2.

<sup>3</sup> See Gas Act 1992, s 43E.

UDL receives more complaints about LPG, receiving 568 complaints in the last year. This includes complaints about LPG bottles, and reticulated LPG. The issues raised in these complaints are more evenly spread between billing, customer service, and supply, with around 40% of LPG complaints including each issue. Supply issues often turn on questions of whether an LPG bottle has been properly exchanged, the replacement of an empty bottle with a full bottle. The provider after referral will often resolve these complaints, with again about 25% being resolved through UDL actively facilitating a resolution between the parties, and just over 1% requiring a recommendation from the Commissioner.

## Consumer Issues

UDL makes the following observations as the provider of the Energy Complaints Scheme, with its main purpose of receiving and assisting with the resolution of consumer complaints:<sup>4</sup>

1. Consumers contact UDL about changes in the electricity and gas market. In all cases good communication through webpages and information direct to the consumer is helpful. Such information also assists UDL in helping the customer understand the practical consequences of any change.
2. A continued decline in the offering of reticulated gas services, may affect the quality of supply guarantee, in terms of the maintenance of existing services. Maintenance failings can trigger a breach of the guarantee in some circumstances. Once again communication with the consumer is key, while the quality of supply guarantee may not be breached, customer service payments based on voluntary service standards can help maintain customer good will.
3. UDL cannot consider complaints about price, however it can: “consider whether appropriate information about charges has been made available” and “whether charges for services have been correctly applied”.<sup>5</sup>

Consumers who raise pricing issues are referred to the Commission, noting its regulatory powers, but that it often monitors industry performance in a more general way. UDL will also work with the consumer, to understand if the proposed complaint raises issues such as sufficient notice of price, alleged non-compliance with an estimate or quote, and if adequate information was provided when new costs arise.<sup>6</sup>

4. However, consumers are becoming more aware of pricing issues and wanting to know the reasoning for increased rates. In the field of electricity the Electricity Authority, has set out in the new *Consumer Care Obligations* that fees must be reasonable even after

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<sup>4</sup> Electricity Industry Act 2010, sch 4, cl 1. See Gas Act 1992, s 43E.

<sup>5</sup> Energy Scheme rules, 15A.

<sup>6</sup> For some guidance see *Gas Consumer Guidelines*, 6-7. See also for the importance of communication draft GIC, *Gas Consumer Care Policy for Retailers*.

taking into account an estimate.<sup>7</sup> The *Gas Consumer Care Guidelines* have a similarly broad clause.<sup>8</sup> However these clauses address fees only, and not the issue of price.

5. The Commission's letter of 13 February 2025 and the Gas Industry Co (GIC) study *Gas and Supply and Demand Study 2024*, set out the challenges for the gas industry in managing supply and demand. The reasoning for higher prices canvassed so well there in statements like the one below are perhaps not widely known to the residential consumer, although they do experience their effects:

The combination of a declining supply-side and a steady demand-side has created a material supply deficit. This deficit has been made more apparent by the very low hydro lake levels during July and August of this year, and lower-than-expected output from wind farms, which increased demand for gas-fired electricity generation. The increased demand for gas combined with the gas supply shortage contributed to increased security of supply risk and high electricity prices. The shortage has been managed through two main levers: Methanex (New Zealand's largest gas consumer) has idled its operations and sold its gas to electricity generators, and a decision by Transpower (the system operator), in collaboration with the Electricity Authority Te Mana Hiko, to raise the Contingent Storage Release Boundary thereby increasing access to hydro storage. The unavailability of gas and high energy price poses a risk to the economy, with several major industrial players announcing their intentions to close.<sup>9</sup>

All gas actors then can work to improve their messaging, to the everyday consumer about these issues.

6. UDL values its work with GIC and continues to liaise with it as appropriate on the issues raised here. Other issues include best practice around LPG Bottles (selling of LPG, customer care, pick up and drop off), and the coverage of the Gas Act 2010.

## Next Steps

Thank you for the opportunity to comment on the issues of supply and demand of gas as set out in the *Open Letter*. If you have any questions, please at the first instance contact me at: [paulb@udl.co.nz](mailto:paulb@udl.co.nz)



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<sup>7</sup> *Consumer Care Obligations*, ob 68(b), see also 11 A.2 definition of a fee. See *Gas Consumer Guidelines*, 12, especially (b).

<sup>8</sup> *Ibid.*

<sup>9</sup> GIC, *Gas Supply and Demand Study 2024*, (Ernst & Young Strategy and Transactions Limited), 28 November 2024, 7.