

24 July 2025

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GAS DPP4 2026 – CONSUMER NZ’S VIEWS ON ISSUES PAPER

1. Introduction

Thank you for the opportunity to make a submission on the Commerce Commission’s Gas DPP4 issues paper.

This submission is from Consumer NZ, an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa. Consumer has a reputation for being fair, impartial and providing comprehensive consumer information and advice. As New Zealand’s leading consumer advocacy organisation, we represent the interests of consumers and have long advocated for energy systems that are fair, affordable and aligned with the country’s low-emissions goals.

We note our broad alignment with the submission from Rewiring Aotearoa.

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2. Summary of key points

- a. The current gas regulatory framework needs to evolve to better reflect the sector's declining trajectory and manage equity concerns.
- b. Residential gas customers are facing higher prices, reduced competition and poor choice.
- c. Low-income households and renters risk being stranded on the gas network and exposed to growing costs.
- d. We need a government-led national gas transition strategy.

3. A regulatory framework misaligned with the sector's future

Although not identical, the current DPP framework for gas shares common principals with those of electricity transmission and distribution. However, electricity is a growth industry, while gas is in long-term structural decline. This difference matters. Electricity infrastructure investment makes sense because future demand is increasing, whereas gas infrastructure needs to be maintained, but for a shrinking customer base.

The gas sector now exhibits characteristics of a 'sunset industry': fixed costs rising per user, uncertain future demand and an increasing risk of asset stranding. We believe gas regulation must evolve to suit this context.

Applying a regulatory model designed for growing or stable markets to a sector in decline risks creating perverse incentives, poor outcomes, and inadequate attention to equity impacts.

4. Equity risks are growing

Indications are that new gas connections are declining.¹ We also believe we are starting to see a trend of existing customers disconnecting from the gas network, particularly among households able to afford the switch to electric alternatives. Those who remain (disproportionately low-income households, renters, and older people) are left exposed to rising prices.

¹ [Vector 2025-2035 gas distribution asset management plan](#)

Gas consumers face the following.

- *High disconnection costs*: Households face significant costs, often between \$1,000 and \$2,000, to have gas meters permanently removed. In some cases, retailers are continuing to charge former customers fixed daily gas fees even after they have fully electrified and ceased using gas, until the meter is physically removed. This creates a financial barrier, particularly for lower-income households, to exiting the gas network.
- *Limited consumer choice*: The number of gas retailers is decreasing. Among those remaining, most now only offer gas as part of a dual-fuel package, making gas supply contingent on also purchasing electricity. This limits flexibility and choice for gas consumers, who don't have access to the choice of innovative and lower-cost options that electricity-only households do.²
- *Increasing fixed daily charges*: Reticulated gas consumers face two fixed daily charges rather than the single charge electricity-only households experience. This has been exacerbated by the phased removal of the low fixed daily charge for electricity (gas households typically qualify as low electricity users and previously benefitted from the lower daily electricity lines charges).

These factors contribute to a classic 'death spiral' scenario, where rising costs prompt households that can afford to electrify and disconnect from gas to do so, thereby increasing the cost burden on those who remain. As the network shrinks, remaining consumers face even higher costs, which in turn accelerates further disconnection, exacerbating the downward cycle.

5. Signals are mixed

Economics, emissions concerns and appliance availability have landlords, developers and households thinking about transitioning away from gas. However, decision makers are receiving mixed messages.

- a) Government agencies and consumer advice encourages electrification.
- b) The gas industry continues to promote gas as a viable long-term energy source.
- c) New homes are still being connected to gas.

² Only six retailers supply gas: Contact Energy, Genesis Energy, Mercury, Pulse Energy, Nova Energy and Megatel (with Megatel a subsidiary of Nova Energy). Currently only Nova Energy and Megatel are offering gas as an independent product – all other retailers are only offering it as dual fuel with electricity.

- d) Regulation assumes long-lived gas infrastructure will continue to be required.

This mixed messaging is creating confusion for consumers. It is also undermining efforts to provide a clear and fair path forward for those who are trying to make good decisions.

6. We need a national gas transition strategy

We recognise the Commerce Commission cannot address the full scope of these challenges alone. However, it can help lead the conversation and call for coordinated government action.

We urge the commission to:

- a) formally recommend that the Government develop a national gas transition strategy
- b) support a mechanism for targeted financial assistance for low income household disconnection and transition costs
- c) discourage new residential connections to the gas network
- d) explore transitional regulatory models, including sunset regulation, and demand risk-sharing or a declining revenue cap aligned with managed network decommissioning.

7. Specific issues for the DPP4 reset

We support the commission's ongoing assessment of demand forecasting risk and the need to manage asset stranding. In particular, we note the following points.

- a) Front-loading cost recovery (to reduce stranding risk) must be balanced against short-term price shocks and fairness for current users.
- b) We are concerned that, in the absence of a clear long-term gas phase-out plan, cost recovery will be inefficient and inequitable.
- c) Regulatory mechanisms can help manage the transition. However, these should be seen as part of a wider set of solutions, not as replacements for a broader national transition strategy.

8. Conclusion

The default price-quality path must be fit for purpose in a gas market that is shrinking, increasingly fragmented and marked by growing inequities.

Striking the right balance will be challenging – while demand is declining, the gas network remains essential and will continue to be needed for some time.

We recommend the Government develop a national gas transition strategy to provide long-term clarity and coordination. In the meantime, we urge regulators to strengthen protections and provide targeted support for households that are unable to exit the gas network.

Thank you for the opportunity to comment.

ENDS