

Vector Capacity Workshop 18/8/10

Summary of Participant Responses to Gas Industry Co's Questions

Participant	Introductory comments
Carter Holt Harvey (CHH)	<ul style="list-style-type: none">• Support an urgent review of the Vector Transmission Code (VTC) for short-term solution to reducing competition and capacity issues.• Including user representation in any group reviewing the code would be most useful in reaching a balanced result.
Contact	<ul style="list-style-type: none">• Unclear whether urgent intervention is needed to promote competition. Vector has tools to provide capacity if a supplier will not relinquish capacity after a switch.• Vector could make its capacity allocation procedures more flexible, which would help make physical capacity more available. However, no one has proposed a change request seeking that.• Vector's contractual arrangements constrain access to transmission capacity, but there has been no convincing demonstration that there is any shortage of physical capacity.• Gas Industry Co should identify whether there is a shortage of physical capacity or a requirement to improve the quality of gas transmission services; and the value at issue. It should then consider how and when it should exercise its powers under the Gas Act to solve the issue including a requirement that Vector must expand capacity.• Gas Industry Co should take care to ensure that dealing with transfer of capacity at a supply switch does not divert from the physical capacity issue.
Fonterra	<ul style="list-style-type: none">• Any solution that allocated capacity to new customers, leaving existing customers stranded would be a major concern. Security of supply is critical to Fonterra's operations.• Transmission costs are also important.
Major Electricity Users Group (MEUG)	<ul style="list-style-type: none">• Transparency remains a key issue because we still do not know if the pipeline operating regime of Vector Transmission is overly conservative compared with a comparable Reasonable and Prudent Operator standard.

Participant	Response to question 1 Do you consider that industry codes need to promote competition?
CHH	<ul style="list-style-type: none"> The gas transmission system should operate neutrally with respect to competition in gas energy supply.
Contact	<ul style="list-style-type: none"> Neither the Maui Pipeline Operating Code (MPOC) nor the VTC includes such an objective. Competition can be promoted without such a provision. Both the MPOC and the VTC include a change request process, which could be designed to promote competition. Gas Industry Co can, under the Gas Act, recommend regulations amending the MPOC and the VTC to promote competition.
Fonterra	<ul style="list-style-type: none"> Yes they should.
Genesis	<ul style="list-style-type: none"> Industry codes should support a competitive market environment.
Greymouth	<ul style="list-style-type: none"> Yes, absolutely. In addition industry codes should at all times facilitate the objectives of the Government's energy strategy.
MEUG	<ul style="list-style-type: none"> Yes. If not, then parties to the code could be in breach of the Commerce Act.
Might River Power (MRP)	<ul style="list-style-type: none"> Promoting competition is not an essential part of all industry codes. Many codes are technical in nature, including access codes such as the VTC. Rather than actively promoting competition, a more important issue is that these codes should be neutral, non-discriminatory, and not promote anti-competitive activities and/or practices.
Nova	<ul style="list-style-type: none"> Yes. The current VTC is efficient because Vector allocates all available capacity to retailers/users (according to Vector at least). Except for Supplementary Agreements and long-term power station capacity contracts, capacity can be traded between retailers/users.
New Zealand Refining Company (NZRC)	<ul style="list-style-type: none"> Yes—absolutely crucial.
O-I New Zealand	<ul style="list-style-type: none"> In all cases, yes.
Vector Transmission (Vector)	<ul style="list-style-type: none"> Believes industry codes should support competition.

Participant	Response to question 2 Do you consider that existing Vector access arrangements are damaging competition in: (i) the retail gas market, and (ii) the wholesale gas market?
CHH	<ul style="list-style-type: none"> • (ii) Transmission access rights under the present arrangements seem to make supplier changes very difficult if not impossible.
Contact	<ul style="list-style-type: none"> • Unclear, because Gas Industry Co has not identified facts showing the significance of such an issue. • Vector's involvement in providing gas transmission services and gas trading potentially allows Vector to cross-subsidise its gas trading activities at the expense of competition.
Fonterra	<ul style="list-style-type: none"> • As presented, yes; but need to be mindful of the criticality of supply.
Genesis	<ul style="list-style-type: none"> • Physical capacity constraints are having a detrimental effect on competition (to what extent is unclear) and are also likely to constrain demand growth. Access arrangements are a second-order issue.
Greymouth	<ul style="list-style-type: none"> • (i) Yes, the ability of end users to change retailer depends on the new retailer having sufficient excess booked capacity. End users are therefore only able to switch to retailers that are hoarding capacity.
MEUG	<ul style="list-style-type: none"> • (i) Yes, large end users are unable to obtain competitive bids from retailers. This will also apply to new entrant gas fired peaking plant or base load plant trying to enter the market. • (ii) Yes, competition among gas producers may also be restricted.
MRP	<ul style="list-style-type: none"> • These questions appear straightforward, but in fact raise issues that are far from simple. This question should not be asked with reference to the access arrangements to the Vector Transmission system, which is clearly offered on a neutral and non-discriminatory basis. The question should be confined to the issue of allocating capacity on part of a transmission system deemed to have become constrained over time. • (i) For the residential retail market, constraint on the North pipeline has not materially affected competition; this sector is driven primarily by competition within the electricity market. It has created some problems in commercial and industrial markets. However, MRP wonders how many customers have been affected and how big a problem it actually is. • (ii) No evidence the constraint on the North pipeline has affected competition in the wholesale market. Information given at the workshop suggests the wholesale price of gas is higher than retail prices. Is this the real competition issue Gas Industry Co needs to investigate? • Question whether, as suggested in the question, the VTC's access arrangements are actually anti-competitive; or, rather, has Vector failed to properly invest in their assets in a timely manner?
Nova	<ul style="list-style-type: none"> • (i) No. • (ii) No. • The aspects of transmission arrangements that are inhibiting competition and the efficient allocation of capacity are: <ul style="list-style-type: none"> ◦ the monopoly nature of transmission pipelines meaning that Vector is the only likely viable source of incremental capacity; ◦ unwillingness of participants to recognise that transmission prices must rise to

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	<p>ration demand to available supply and to provide the basis for investment in additional capacity;</p> <ul style="list-style-type: none"> ○ restrictions on the trading of long-term capacity contracts held by generators.
NZRC	<ul style="list-style-type: none"> • Don't know. It certainly sounds like it, but because we do not have access to any reserved capacity this issue does not affect us directly.
O-I New Zealand	<ul style="list-style-type: none"> • (i) Yes, customer ability to change shipper relies on new shipper having booked capacity to accommodate that new volume. • (ii) Can't comment—not involved in wholesale gas market.
Vector	<ul style="list-style-type: none"> • Does not believe that the access arrangements are themselves negatively affecting competition. • Users' operation under them may however be negatively affecting competition. If that is the case, the industry is correct to consider whether incentives need to be re-aligned to further support competition in the retail market. • Whether competition has, in fact, been affected is a difficult question to answer – capacity problems may be being highlighted by some users as a convenient excuse for not tendering for loads, when in fact the loads are perceived to not be attractive for other business reasons or to further other agendas. • Unaware of any capacity related competition issues in the wholesale market.

Participant	Response to question 3 Do you consider that the annual review of the VTC should allow for changes to be made if existing arrangements are damaging competition?
CHH	<ul style="list-style-type: none"> • Yes.
Contact	<ul style="list-style-type: none"> • The VTC does not provide for an annual review. The change process can be exercised at any time. • At renewal, the VTC is subject to a negotiation process where any shipper and Vector has been free to promote any change. Changes are taken up or rejected depending on support. • Vector has indicated some willingness to consider future changes to its capacity regime but says it wishes to avoid any significant change until the methodology for price control is determined. • We again note that Gas Industry Co has powers to require Vector to make changes.
Fonterra	<ul style="list-style-type: none"> • Yes, but care needs to be taken to ensure one problem is not solved by creating others.
Genesis	<ul style="list-style-type: none"> • There is not an annual VTC review process. Amendments may be proposed at any time and for any reason.
Greymouth	<ul style="list-style-type: none"> • If the existing arrangements are limiting competition, the VTC should be changed immediately. These changes should not have to wait until the annual review. Gas end users do not align contract end to VTC revision dates. • The current VTC change process is flawed and too time consuming. VTC should allow for the industry co-regulatory body to propose changes to the VTC to enhance competition. The VTC change request process should be able to be fast tracked in certain circumstances.
MEUG	<ul style="list-style-type: none"> • This is essential. If the annual review of the VTC is not proactive in dealing with barriers to competition, then it should be replaced with a regulated solution.
MRP	<ul style="list-style-type: none"> • The existing VTC allows for changes to be proposed and implemented at any time.
Nova	<ul style="list-style-type: none"> • The VTC change process provides for change. • What the VTC is unable to do (and is precluded by provisions of the VTC) is to provide for new investment.
NZRC	<ul style="list-style-type: none"> • Yes—absolutely. A monopoly supplier needs to be appropriately regulated to ensure the best possible outcomes for 'NZ Inc.'
O-I New Zealand	<ul style="list-style-type: none"> • If competition is damaged, VTC should allow for immediate changes—gas end users do not align contract end to VTC revision dates.
Vector	<ul style="list-style-type: none"> • The VTC contains a Change Request process which can be utilised at any stage to effect changes to arrangements. This is a quick and effective process – particularly if 75% User and Vector agreement can be obtained. • The reviews held to date provide another mechanism, but the industry should not limit itself to these processes.

Participant	Response to question 4 Do you consider that an urgent change to the VTC is required to improve competition?
CHH	<ul style="list-style-type: none"> Urgent consideration should be given to changes to the VTC to allow greater competition for energy supply; and to improve the physical/commercial issues capacity issues on the Northern line and the end of the Bay Of Plenty line (Whakatane).
Contact	<ul style="list-style-type: none"> See no evidence of an issue requiring urgent intervention. There have been no change requests seeking to improve competition. Unsubstantiated reports of problems have occurred only on Vector's Northern pipeline. Analysis indicates capacity usage has declined on this section of the transmission system. The claim that there is a problem results from changes to Vector's management of capacity on the Northern pipeline. An investigation of the reasons for those changes may show they were unnecessary.
Fonterra	<ul style="list-style-type: none"> Yes that is apparent but security of supply (grandfathering) is critical when processing perishable raw materials, especially when there is no control over the supply of that raw material.
Genesis	<ul style="list-style-type: none"> No. However, consideration should be given to reducing overrun charges and associated liability provisions. Shippers would reduce their capacity reservations because they would be willing to face greater exposure to overrun charges. In turn, this would free up capacity while increasing the likelihood of curtailment during peak demand periods. The regime would shift slightly towards a common carriage model.
Greymouth	<ul style="list-style-type: none"> Yes. Since June 2009, the retail gas market has not functioned efficiently and end users are unable to take advantage of lower-priced gas.
MEUG	<ul style="list-style-type: none"> An urgent change to the VTC should be considered. Agree that efficient allocation and facilitating competition are key short-term issues that could be addressed with an urgent rule change. Agree with Gas Industry Co that 'on preliminary consideration No detriment to business confidence if 'grandfathering' is adjusted.'
MRP	<ul style="list-style-type: none"> Reserves judgement on this question. Gas Industry Co should clearly define the size of the competition issues. Changes to the VTC must be clearly thought through and not unfairly advantage a relatively few commercial and industrial customers who already have significant competitive pricing advantages over mass market customers.
Nova	<ul style="list-style-type: none"> No. More physical capacity is required together with removal of restrictions on capacity trading—particularly that associated with long-term power station contracts.
NZRC	<ul style="list-style-type: none"> Yes—based on what we've heard. See Q2.
O-I New Zealand	<ul style="list-style-type: none"> Yes.
Vector	<ul style="list-style-type: none"> If the GIC considers that competition is currently negatively impacted, Vector Transmission agrees, in accordance with the GPS, that the VTC should be amended to better support competition.

Participant	Response to question 5 Do you consider that it is preferable to change the code through the existing code change provisions or through regulation?
CHH	<ul style="list-style-type: none"> • Prefer existing code changes by agreement; but if this cannot be achieved quickly, then there should be little or no delay in regulating.
Contact	<ul style="list-style-type: none"> • Code changes can be simpler, more effective in building on established arrangements, lower cost, and better directed towards meeting users' needs. • Particularly where it is necessary to intrude on contractual rights to make changes, regulation may be necessary but that should be limited to circumstances where the benefits exceed the costs. • Gas Industry Co must define the issue and quantify the likely costs of failing to deal with the issue before developing expensive regulatory intervention.
Fonterra	<ul style="list-style-type: none"> • Use of the existing code change provisions is preferred.
Genesis	<ul style="list-style-type: none"> • Regulation. It is unclear why any shipper would relinquish its grandfathering rights through the VTC change process. However, regulation needs to be supported by a robust cost-benefit analysis assessment of various options. • Although Genesis Energy has an open mind, it is not clear that the benefits of pro-competitive intervention would be material in this case.
Greymouth	<ul style="list-style-type: none"> • The optimal approach is one that results in the most prompt solution. • The VTC change request process and the regulatory process are time consuming. They should be progressed in tandem, led by GIC and subject to strict deadlines. If an industry deadlock exists during the VTC change request process then GIC must move promptly and decisively to effect a regulatory solution. • If GIC cannot solve this issue, NZ should adopt a different regulatory model.
MEUG	<ul style="list-style-type: none"> • Prefer changing the VTC using the existing code change processes. However MEUG is not optimistic this is possible because: <ul style="list-style-type: none"> ○ only existing Shippers and Vector can propose a code change, not end users and possible new entrants; ○ existing Shippers have little common ground or incentive for reaching an agreement in the national interest if it means some (most) will have to concede grandfathered capacity rights. • GIC, parties to the VTC, and other interested parties should discuss a process for improving the VTC to avoid regulation, for example an industry working group.
MRP	<ul style="list-style-type: none"> • Yes, industry-led solutions are almost always preferable to regulation.
Nova	<ul style="list-style-type: none"> • Depends on the nature of the change. Regulation is necessary if it is decided to interfere with retailers' transmission rights. Should that be the case, then it should extend to users with long-term capacity contracts. Those large contracts consume a much larger proportion of total capacity and should be treated no differently from posted terms capacity. • If change is necessary, a more significant and fundamental review of the transmission capacity pricing regime is required rather than tinkering with the existing VTC and reallocating capacity rights when customers switch supplier.
NZRC	<ul style="list-style-type: none"> • The quickest option, that is, existing code changes.
O-I New Zealand	<ul style="list-style-type: none"> • Regulation should be avoided whenever possible, because (1) they take time, but the issues affecting competition are short term, (2) they often come with compliance costs, which likely be passed to end users of gas, (3) an industry solution is flexible.

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Vector	<ul style="list-style-type: none"> • The VTC contains an effective Change Request process which could certainly be utilised. Regulation may however be more appropriate if proposed changes have a significant effect on existing rights and/or businesses. • This matter could perhaps be re-addressed once a preferred change option is identified.

Participant	Response to question 6 Do you consider that there are risks to your organisation if an urgent change is implemented? If so, please specify.
CHH	<ul style="list-style-type: none"> • No.
Contact	<ul style="list-style-type: none"> • Until the urgent change is specified and quantified that cannot be assessed and determined. • Some proposals may increase gas transmission costs because shippers would be unable to manage transmission capacity as part of a portfolio. Some of the Vector proposals would require it to exert a high degree of control over the gas industry, which is inappropriate. • Linking capacity to a specific end user can remove flexibility and increase transmission costs. Such an approach entrenches existing end users at the expense of the development of new and more efficient end uses.
Fonterra	<ul style="list-style-type: none"> • Yes if the points made above regarding security of supply are not fully taken into account. These can, however, be worked through, it should not be a show stopper.
Genesis	<ul style="list-style-type: none"> • Yes. Genesis Energy may have less certainty about its ability to supply its customers downstream of the constraint.
Greymouth	<ul style="list-style-type: none"> • There are no risks to Greymouth Gas if a change enables gas users to freely select a provider. • Conversely, there are substantial risks to Greymouth Gas if such a change is not implemented. Greymouth Gas has lost significant income as a result of not being able to contract with customers on the North pipeline because it is not able to access the capacity required. Greymouth's proposed customers have also incurred significant losses.
MEUG	<ul style="list-style-type: none"> • On the basis of the work to date we see no show stoppers to proceeding with detailed investigation of short-term solutions.
MRP	<ul style="list-style-type: none"> • Without knowing what any actual changes to the VTC would be it is impossible to answer this question.
Nova	<ul style="list-style-type: none"> • Yes. Any changes to capacity rights affect Nova Energy's ability to provide continuity of supply to its customers. Nova does not believe that would be acceptable to its customers; it is not acceptable to Nova because there are legal risks associated with customer contracts. • In addition, the current contract for transmission services entered into by retailers provides for retailers to procure capacity from Vector on an aggregated basis and use that capacity to sell gas on a delivered basis to consumers. A part of that proposition is that retailers bear a number of responsibilities including the credit risk associated

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	<p>with consumers default.</p> <ul style="list-style-type: none"> • If capacity is allocated to users, the appropriate mechanism would be for consumers to contract directly with Vector Transmission.
NZRC	<ul style="list-style-type: none"> • No.
O-I New Zealand	<ul style="list-style-type: none"> • Cannot answer adequately without knowing what the urgent changes may be. However, in general, we have security of supply under our current contract with gas retailer/shipper and would be disappointed if current stability is jeopardised through any urgent change.
Vector	<ul style="list-style-type: none"> • At this stage, it is difficult for us to comment on this question. We will be in a better position to comment once the options are clear and a preferred option identified.

Participant	Response to question 7 Do you consider that there are options to improve competition in the short-term that were not canvassed at the 18 August 2010 workshop? If so, please specify.
Contact	<ul style="list-style-type: none"> • A survey of other open access regimes and how capacity is allocated may identify other options.
Genesis	<ul style="list-style-type: none"> • Gas Industry Company can require transmission pipeline capacity upgrades and determine who should pay. This could be a valid option if the competition benefits and the benefits of greater capacity for demand growth were large enough to outweigh the costs. • In a 'do nothing' scenario, end users could negotiate with their suppliers to ensure transmission capacity is relinquished at the end of any supply contract. • Only 36% of pipeline capacity is reserved capacity; options freeing up access to the other 64% tied up in 'non-tradable' supplementary transmission services agreements could be considered.
Greymouth	<ul style="list-style-type: none"> • Tagging capacity to end users is the most effective short-term solution. Shippers should be required to justify their capacity bookings and provide a list of end users to prevent hoarding. • Investment by Vector (or others) in new pipeline infrastructure to add to physical capacity. Vector remains reluctant to invest in essential infrastructure, therefore Greymouth Gas would like Gas Industry Co to confirm it will recommend regulations to ensure third party requests for access (to lay a new pipeline) to all current designations and easements for Auckland region pipelines (particularly the North pipeline).
MEUG	<ul style="list-style-type: none"> • No; apart from re-emphasising that in considering short-term solutions greater transparency is needed from Vector of the current regime.
MRP	<ul style="list-style-type: none"> • One option is interruptible arrangements with major users. This appears to be a relatively simple and cost effective solution to the problem on the North pipeline. Complications include incentives for considering such a proposal and an agreement with the shippers to fund compensation for lost production on interrupted days. • Non-code shippers could be allowed to sell, on a short-term basis, a proportion of

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	their contracted capacity during the winter period.
Nova	<ul style="list-style-type: none"> • The economic issues are fundamentally mis-stated. The current transmission problem has been stated as large end users unable to obtain competitive bids from retailers because of the capacity constraints. This is incorrect because there is evidence of: <ul style="list-style-type: none"> ○ consumers obtaining competitive offers for supply; ○ Northern pipeline consumer switching retailers. • Also the problem as stated by the Gas Industry Co does not contemplate new users seeking capacity or existing users seeking incremental capacity. Suggestions that existing users should be protected against being displaced by new users concern Nova—it conflicts with the economic principle that capacity should be allocated to the highest value use. • In any normal competitive market where demand exceeds supply, prices rise to efficiently ration demand and ensure that available supply is allocated to the highest value use. The appropriate solution to the Northern capacity constraints is to simulate the outcome that a competitive market would deliver, which is incremental investment in capacity supported by marginally higher prices for all consumers in the affected region. • The existing allocation of property rights is economically efficient because retailers have the incentives to price transmission capacity rights appropriately to ensure capacity is allocated to the party that values it most. Allocating existing capacity to users is unlikely to lead to trading of capacity to higher value users because existing users are more likely to hold the capacity for their own (relatively lower value) use than on-sell it to others. We note that users can actually contract for capacity and some have done so and currently provided for within the VTC. • Nova understands that some longer-term electricity generation transmission service agreements contain provisions that prevent that capacity being on-sold to other retailers or users. These contracts represent as much as 65% of total capacity on the Vector Northern pipeline and as such represent a significant opportunity for the parties to those agreements to review those terms so that capacity may be on-sold to others who may have a higher value for that capacity.
NZRC	<ul style="list-style-type: none"> • No.
O-I New Zealand	<ul style="list-style-type: none"> • A cost impost for under-run to booked capacity as well as over-run. Both have a demonstrable effect on pipeline management, the former on ability to serve market given physical capacity limitations, the latter in terms of promotion of competition given apparent hoarding of un-utilised booked capacity.
Vector	<ul style="list-style-type: none"> • No, not currently

Participant	Response to question 8 Are there any other factors relevant to the short term issues that you believe Gas Industry Co should consider? If so, please specify.
CHH	<ul style="list-style-type: none"> The VTC should urgently be examined to ascertain what can be changed within the code (with no/minimal capital investment) to enhance the practical capacity of the North Pipeline, and end of Bay of Plenty transmission lines.
Contact	<ul style="list-style-type: none"> Open access to quantitative data would identify whether or not there is an issue and the magnitude of the issue. Attention could become focussed on the perceived short-term issue rather than determining whether there is a lack of physical capacity and how that could be solved.
Fonterra	<ul style="list-style-type: none"> Concern has been expressed that addressing short-term issues may prejudice the outcome for arriving at an improved long-term arrangement. We believe that that can be managed, in any event waiting until July 2012 is not really an option.
Genesis	<ul style="list-style-type: none"> Gas Industry Company needs to assess the magnitude of the competition concerns, whether they are likely to be enduring, and whether the costs of any intervention to address competition concerns would outweigh the benefits.
Greymouth	<ul style="list-style-type: none"> Any working party should ensure that end users are adequately represented and consulted—some shippers/retailers are approaching the issues from their self interest rather than the greater good. Almost all gas consumers are subsidizing heavily discounted tariff contracts written by Vector on the Auckland pipeline network. If such discounted rate contracts exist, they should be disclosed by Vector. Whether the transmission system operator should be allowed to own and operate a competing shipper/gas retailer or whether compulsory disposition should be required should be examined.
MEUG	<ul style="list-style-type: none"> On the material published to date we do not believe solving the short-term issues will prejudice the path for better long-term arrangements. Greymouth Gas has indicated it is prepared to invest in capacity if Vector won't. That might require Greymouth Gas to access Vector-held easements on reasonable terms. Gas Industry Co could assist by investigating whether such access would improve competition in the pipeline market to enable investment to be made much quicker than waiting for the new Commerce Act Part 4 arrangements that commence July 2012.
MRP	<ul style="list-style-type: none"> It should never be forgotten that if a shipper has unauthorised overruns on a day it is required to indemnify Vector up to \$10 million for a single event and \$30 million for a series of events. Gas Industry Co has correctly declined to criticise shippers for their current capacity reservations because the reasons for their levels of reservation are unknown. Gas Industry Co, as a minimum, should attempt to answer this question before to developing any changes to the VTC.
O-I New Zealand	<ul style="list-style-type: none"> Any working party should ensure the voice of customer is adequately provided. 'Customer' is not shipper, but rather the end consumer of gas. Some shippers are approaching the short-term issue from their self interest rather than the greater good.
Vector	<ul style="list-style-type: none"> We have no further comments on substance at this stage, but believe any identified preferred option should meet a cost-benefit test.

Participant	Concluding comments
Nova	<ul style="list-style-type: none"> • The existing VTC arrangements that allocate capacity to retailers are not necessarily inefficient or the cause of constrained competition. The real constraint on competition is the lack of physical transmission capacity. • The main barrier to efficient market outcomes is the slow progress of pipeline regulation by the Commerce Commission. • The most efficient solutions are those that mimic competitive markets—that is, marginal increases in transmission prices for all consumers and incremental investment. • Auckland is major part of the New Zealand economy and requires increased infrastructure development to maintain economic growth.
NZRC	<ul style="list-style-type: none"> • Our primary concerns are the long-term considerations. For the good of this country investments in national infrastructure projects (like the gas pipeline) are imperative even when an immediate return cannot be guaranteed. The nature of these kinds of projects is such that <ul style="list-style-type: none"> ○ the return cannot be guaranteed, and ○ will result from growth which will be slow and develop over a longer period, but ○ without such an investment, the demand growth (and hence country economic growth) will be destroyed, thereby negating the need for any future investment • This would undermine further hydrocarbon exploration, because end-user demand will be curtailed. • The economic return of this national monopoly asset needs to be based on the wider picture and what it enables (for the wider NZ economy), rather than on the pipeline as a stand-alone asset. Progressing the long-term issues (the regulatory and investment issues) are crucial matters in shaping this country's future energy supply.