

24 May 2017

Liz Entwistle
Construction and Housing Markets
Ministry of Business, Innovation and Employment
PO Box 1473
WELLINGTON 6140

Sent via email: UDAConsult@mbie.govt.nz

Dear Liz

Urban development authorities

First Gas welcomes the opportunity to make a late submission on the Ministry of Business, Innovation and Employment's (the Ministry's) discussion document "Urban Development Authorities" dated February 2017. Due to the limited time available to review the proposal, we wish to note our general support for the proposal and focus on high-level comments regarding its implementation, from the perspective of a gas pipeline business. We would welcome the opportunity to engage further with the Ministry as this proposal progresses.

About First Gas

First Gas operates 2,500km of gas transmission pipelines (including the Maui pipeline), and more than 4,800km of gas distribution pipelines across the North Island. These gas infrastructure assets transport gas from Taranaki to major industrial gas users, electricity generators, businesses and homes, and transport around 20 percent of New Zealand's primary energy supply. Our distribution network services 61,500 consumers across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne and Kapiti. **Appendix A** summarises the breadth of our transmission and distribution networks.

As a provider of infrastructure with monopoly characteristics, we are regulated by Part 4 of the Commerce Act 1986 and are therefore subject to price-quality path and information disclosure requirements. For further information on First Gas, please visit our website www.firstgas.co.nz.

Support proposal for urban development authorities

First Gas supports the Ministry's proposal to speed up major urban development projects through the establishment of publicly-controlled urban development authorities (UDAs). We expect that the use of UDAs may be beneficial to regions such as the Waikato and Tauranga,¹ where we are seeing many new commercial and residential developments and subsequently, a growth in the number of connections to our gas distribution networks. UDAs will be a useful tool for territorial authorities and central government to support and expand upon this regional growth.

Implementation of urban development authorities

Our comments on the Ministry's proposal relate to the implementation of UDAs, from the perspective of a "utility provider". While this term has not been expressly defined in the discussion document, we have assumed that the term is intended to cover both gas transmission and gas distribution

¹ In addition to Auckland, where the Ministry expect the first UDAs to be established.

businesses, and is in aligned with the definition of a “network utility operator” set out in clause 166(a) of the Resource Management Act 1991. However, it would be useful to have this position confirmed by the Ministry. While the comments we make regarding this proposal will generally apply to both gas transmission and distribution networks, there are some distinct differences that may need to be discussed further.

We have reviewed the submission made by PowerCo,² and note our support for the following points they have raised:

- **Involvement in the planning process:** We support the call for utility providers to be involved in both the establishment and development plan stages of the UDA process. We agree with Powerco’s recommendations that infrastructure providers should be directly notified at the establishment phase, and be considered an “affected person” for the purposes of making objections during the development phase;
- **Impact on designations and easements:** We are concerned with the possible consequences of UDAs removing legal encumbrances (such as easements) from land that falls within the development area. We endorse Powerco’s comments regarding the importance of these easements to utility providers for accessing and maintaining assets, and how the removal of these easements could have considerable health and safety enforcement implications. We agree that the removal of a designation exposes network providers to the prospect and risks of forced asset removals. It also negates the significant time and resources that utility providers have dedicated to securing required designations;
- **Impact on efficient asset management planning:** We agree with the view that the UDA power to “stop, build, move and/or alter” utility services has the potential to undermine our efforts to make prudent and efficient investments;
- **Impact on supply interruptions to consumers:** As a regulated business, we are subject to quality standards, that could be inadvertently affected by work undertaken by a UDA. Maintaining safe and reliable gas pipeline services is key to our shippers, producers and end-users; and
- **Encroachment on existing regulations:** As noted above, we are subject to the Commerce Commission’s price-quality regulation. This regulatory framework determines the expenditure allowances for our networks and the quality standards that must be maintained. We endorse Powerco’s recommendation that there would be value in the Ministry, the Commerce Commission and industry discussing how UDAs would be accommodated within this existing regulatory framework.

Points where we seek clarification

We agree with Powerco that there are number of areas where further clarification of the UDA proposal is required. We are particularly interested in understanding:

- How new infrastructure is intended to be paid for, and how capital contributions towards network assets will be treated;
- What is considered a “reasonable time” to “stop, build, move and/or alter” gas utility services; and
- How gas utility providers’ historical legal and property rights will be protected for existing assets including designations, authorisations, pipeline certificates and any associated access rights.

Each of these points may impact on our ability to maintain safety, security and reliability risks at current levels on our gas transmission and distribution networks, and to discharge our responsibilities as a reasonable and prudent operator (RPO).

² Proposed UDA legislation, Powerco Limited submission, 19 May 2017.

Welcome opportunity to discuss proposal further

First Gas would welcome the opportunity to discuss the UDA proposal further with the Ministry, and clarify how First Gas, as both a gas transmission and distribution business, can support the successful implementation of UDAs across the regions we serve.

To organise a meeting with First Gas, or if you have any questions regarding this submission, please contact me on 04 979 5368 or via email at karen.collins@firstgas.co.nz.

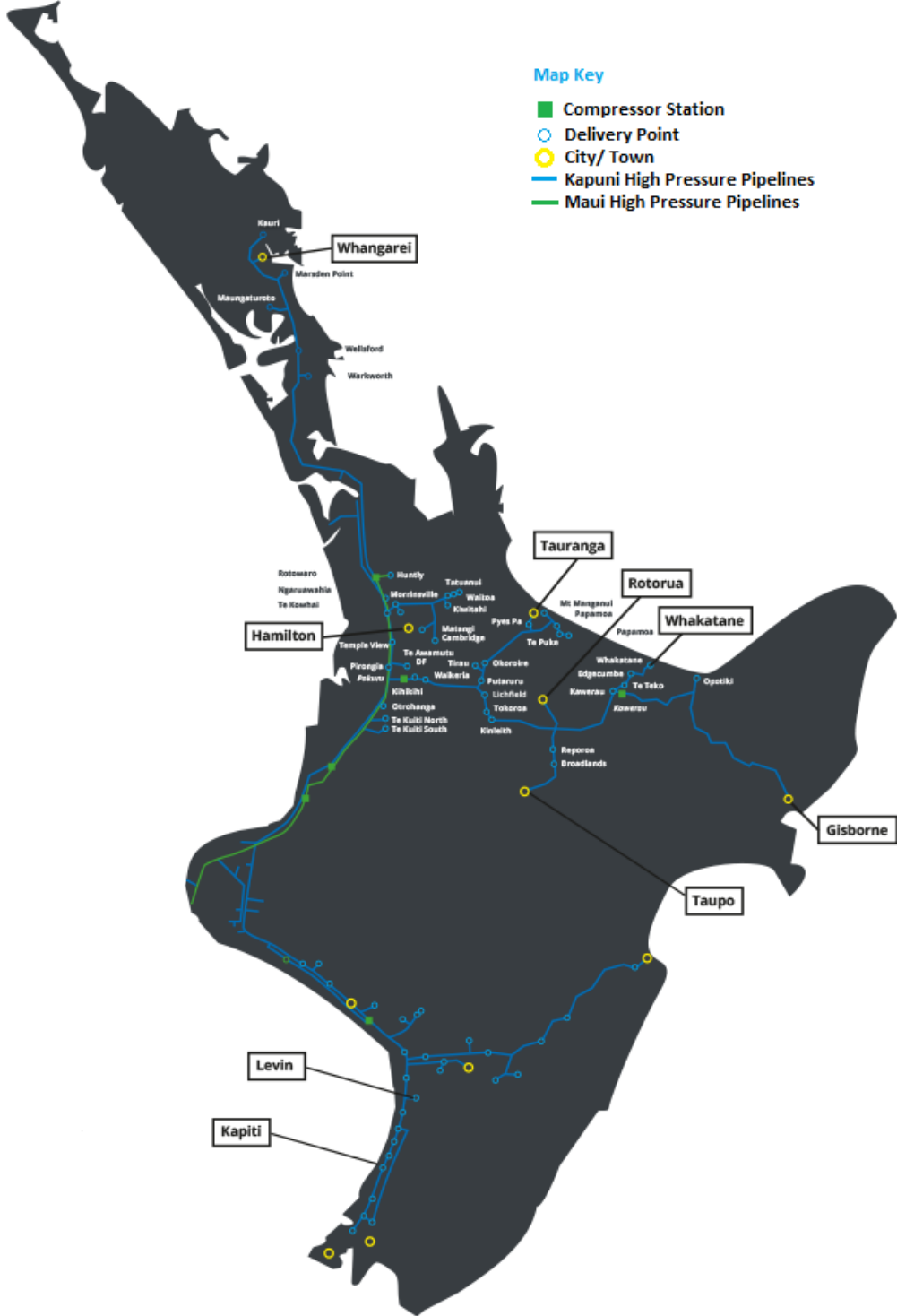
Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Collins', with a long horizontal flourish extending to the right.

Karen Collins
Regulatory Manager

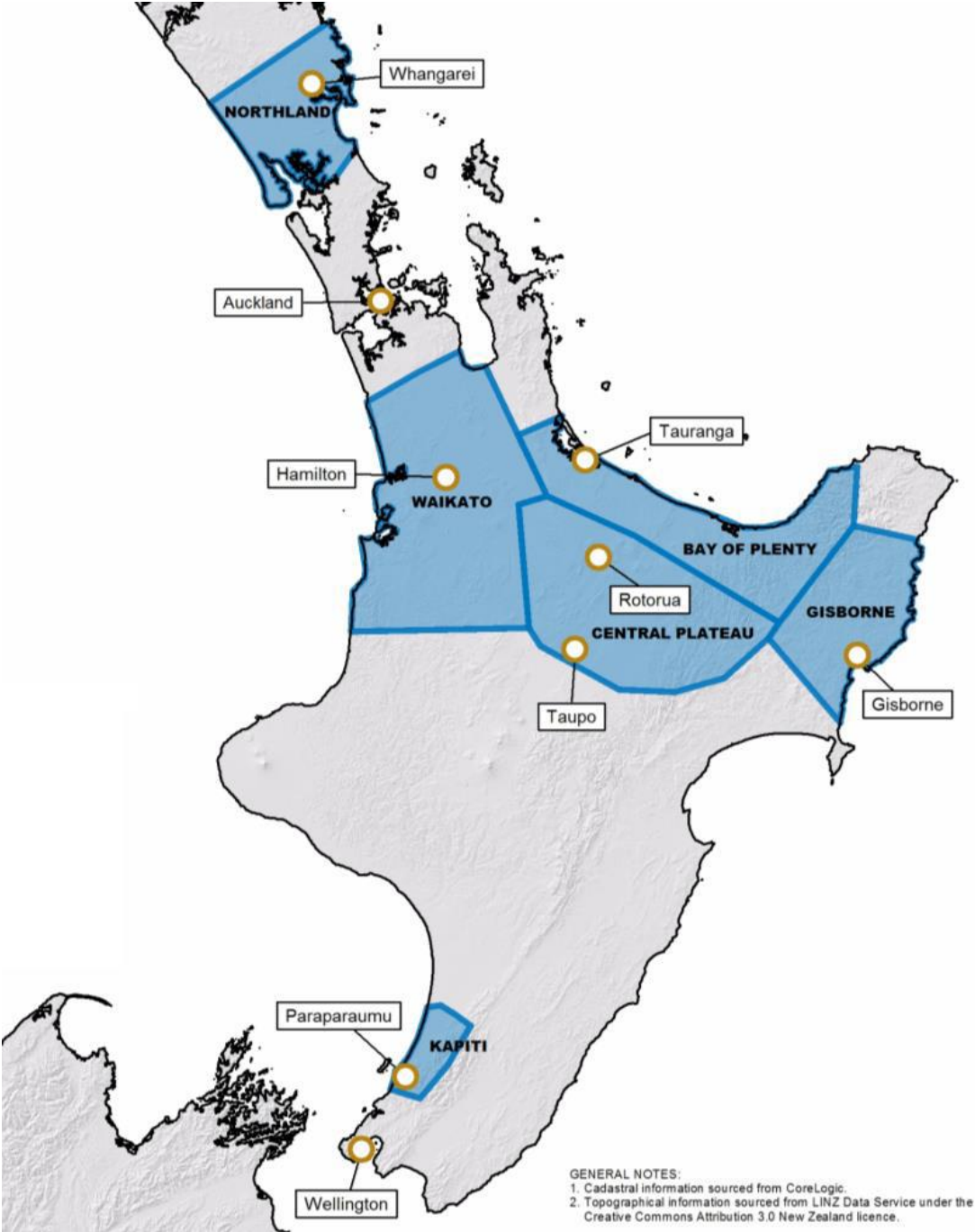
Appendix A: First Gas transmission and distribution networks

Figure 1: High pressure gas transmission pipelines³



³ Page 13, Gas transmission asset management plan – 2016, First Gas, http://firstgas.co.nz/wp-content/uploads/FGL_transmission_2016_asset_management_plan.pdf.

Figure 2: Gas distribution network⁴



⁴ Page 10, Gas distribution asset management plan – 2016, First Gas, http://firstgas.co.nz/wp-content/uploads/FGL_distribution_2016_asset_management_plan.pdf