

From 1 October 2026 (Pricing Year 2027)

Pricing Methodology for Gas Distribution Services



Executive Summary

First Gas Limited (Firstgas) owns and operates gas distribution networks across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne and Kapiti. Our pricing policies seek to maximise network utilisation through efficient allocation of costs, to provide transparency, certainty, and to ensure that all network users benefit from network investments.

Firstgas recovers the cost of owning and operating our distribution networks predominantly through standard prices for gas distribution services, supplemented by 17 non-standard connection contracts. We also earn revenue from capital contributions for new gas connections. For further information on our capital contributions policy, please see our website [here](#).

Pricing for year commencing 1 October 2026 (Pricing Year 2027)

There have been no substantive changes to Firstgas' Distribution Pricing Methodology (DPM) in the past 12 months.

Firstgas will continue to apply the same pricing methodology for Pricing Year 2027 (PY2027)¹ and has updated this methodology to ensure compliance with the price path set out in the Commerce Commission's *Gas Distribution Services Default Price Quality Path Determination 2026*² (the Determination). This approach results in fixed and variable tariffs for all customer groups increasing between 5% and 11.46%.

¹ 1 October 2026 to 30 September 2027.

² Commerce Commission *Gas Distribution Services Default Price Quality Path Determination*, 27 May 2026.

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Glossary

Act	The Commerce Act 1986.
Allowable Notional Revenue (ANR)	The revenue determined under the Price-Quality Path Determination that Firstgas is allowed to earn during the pricing year based on historical quantities.
Cost Allocators	The measures used to allocate costs / target revenue among consumer groups.
CPI	Consumers Price Index, a measure of changes to the prices for consumer items purchased by New Zealand households giving a measure of inflation.
GDB	Gas Distribution Business
IDs	The <i>Gas Distribution Information Disclosure Determination 2012</i> , consolidating all amendments as of 3 July 2025, published by the Commerce Commission.
ICP	An installation control point being a physical point of connection on a local network which a distributor nominates as the point at which a retailer will be deemed to supply gas to a consumer
kWh	Kilowatt-hour, a unit of energy being the product of power in watts and time in hours.
DPP	The Commerce Commission <i>Gas Distribution Services Default Price Quality Path Determination</i> , 27 May 2026., as published by the Commerce Commission.
Price component	The various prices, fees and charges that constitute the components of the total price paid, or payable, by a consumer.
Pricing Principles	The Pricing Principles specified in clause 2.5.2 of the <i>Gas Distribution Services Input Methodologies Determination 2026</i> (consolidating all amendments as of 1 September 2026) and included in section 16.
Pricing strategy	A decision made by the Directors of a Gas Distribution Business (GDB) on the GDB's plans or strategy to amend or develop prices in the future, and recorded in writing
Pricing Year (PY)	The annual period beginning on 1 October and ending on 30 September.
RAB	Regulatory Asset Base, the regulated value of the assets that Firstgas uses to provide gas distribution services.
scm/h	Standard cubic metres per hour, a measure of gas capacity based on the flow rate.
Target revenue	The revenue Firstgas expects to receive from prices during the pricing year based on forecast quantities.

1. About Firstgas

First Gas Limited (Firstgas) operates 2,500 kilometres of gas transmission pipelines and more than 4,900 kilometres of gas distribution pipelines across the North Island. These gas infrastructure assets transport natural 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 approximately 68,000 consumers across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne, and Kapiti Coast.

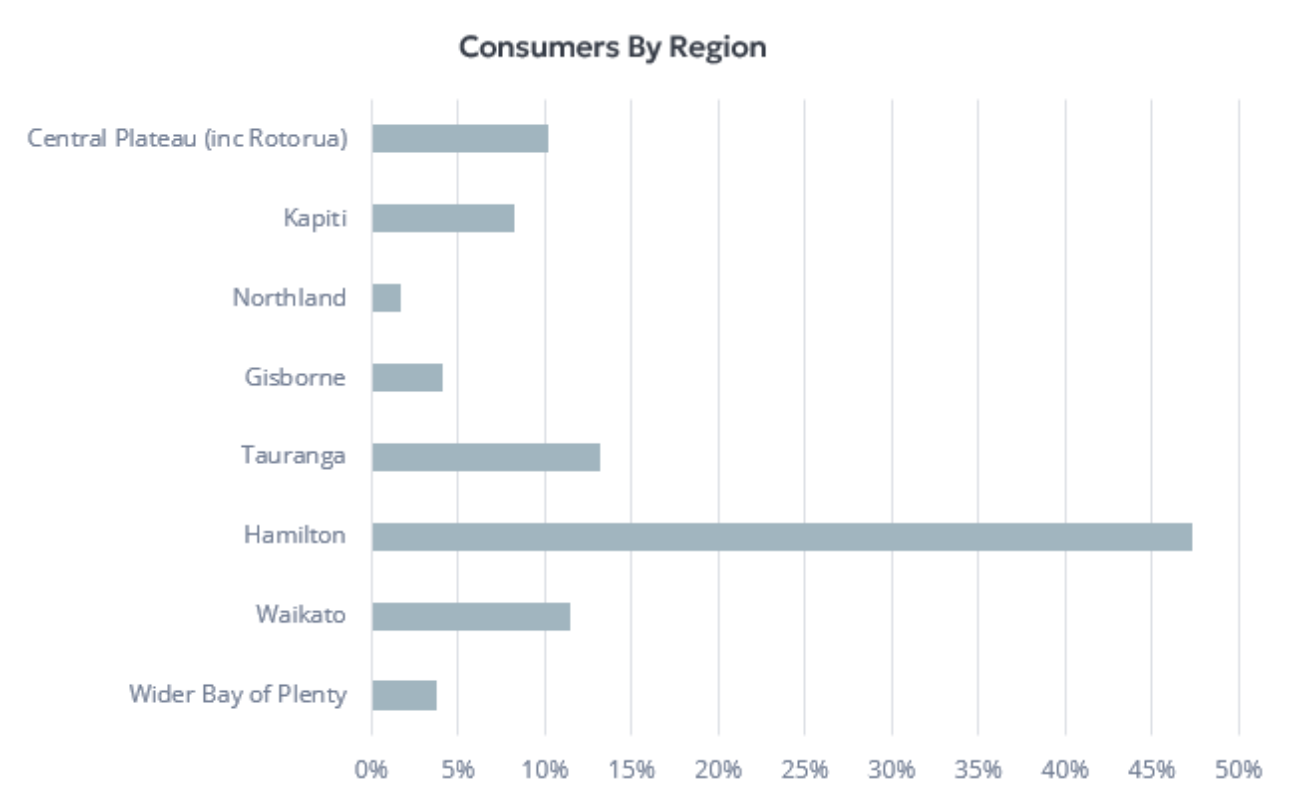
Firstgas is part of the wider Clarus group of companies. Clarus is one of New Zealand's largest energy groups. Whether it's transmission, distribution, supply or storage of energy, the companies within the Clarus group service nearly half a million homes and businesses of all sizes around New Zealand. We are proud to support energy in Kiwi lives.

Firstgas is committed to helping New Zealand achieve its climate change goal of zero carbon emissions by 2050. Our gas transmission and distribution networks are ideally placed to support the development, transfer and use of emerging fuels such as hydrogen or biogas.

1.1. Our approach to distribution pricing

Firstgas' prices are charged to retailers who then incorporate them into retail bills to end consumers. Due to this industry structure, Firstgas only has a proportional impact on consumer pricing.

Figure 1: Proportion of gas distribution consumers by region (as of 14 April 2026)



Our gas distribution services are regulated by the Commerce Commission under Part 4 of the *Commerce Act 1986*. These services are subject to price-quality path regulation and information disclosure requirements. Our regulatory disclosures can be found on the Firstgas website [here](#).

Firstgas is focused on increasing the utilisation of our networks and thereby reducing the cost of providing distribution services to individual consumers. We believe that gas has an important role to play in New Zealand's energy future as an affordable, efficient, and environmentally responsible fuel, and are developing our network to be able to service the demand for net zero carbon gas.

1.2. Distribution pricing methodology

Every gas distribution business maintains a distribution pricing methodology. The purpose of this document is to describe how the business determines the prices that it charges each consumer group.

The methodology takes the target revenue for the business set by regulation and analyses the underlying costs that build up that revenue. The methodology then sets out how costs will be allocated among consumer groups and non-standard customers and is published on the Firstgas website.³

1.3. Use of non-standard contracts

Firstgas generally recovers the cost of providing gas distribution services to existing consumers through standard prices. However, Firstgas also offers non-standard pricing and contracts to a small number of consumers in circumstances where standard prices on our distribution networks may not:

- Adequately reflect the costs of supplying a consumer;
- Reflect the economic value of the service to the consumer;
- Address the commercial risks associated with supplying that consumer.

Non-standard contracts allow tailored or specific prices and non-standard commercial arrangements to be applied to individual consumers on the distribution system.

1.4. Contact Firstgas

For any questions regarding the distribution pricing methodology, please contact:

Doug Cassey

Doug.cassey@firstgas.co.nz

For further information on Firstgas and our gas distribution and transmission businesses, please visit our website www.firstgas.co.nz.

³ <https://firstgas.co.nz/about-us/regulatory/distribution/>

2. Regulatory context

The development of Firstgas' distribution pricing methodology (DPM) is governed by our regulatory obligations under Part 4 of the *Commerce Act 1986*, enforced by the Commerce Commission. This section outlines the regulatory obligations that are relevant to this DPM.

2.1. Requirement to disclose a pricing methodology

The Commerce Commission's *Gas Distribution Information Disclosure Determination 2012* (IDs)⁴ requires all gas distribution businesses to publicly disclose at the beginning of each pricing year, the methodology used to determine the prices payable for the provision of gas distribution services.

2.2. Alignment with pricing principles

The Commerce Commission's ID Determination requires Firstgas to disclose its pricing methodology and provide:

- An explanation of the extent of consistency of our pricing methodology with the Pricing Principles (which are defined in the Input Methodology)⁵ or
- Reasons for any inconsistency between our pricing methodology and the Pricing Principles.⁶

The Commerce Commission's Pricing Principles are provided in section 16 of this DPM, along with an explanation of how we have reflected these principles in this pricing methodology.

In applying the Commerce Commission's Pricing Principles, Firstgas does not rank one objective higher than others but seeks to achieve the best balance between competing principles to achieve our business objectives. This approach will always have an element of judgement involved, and we seek to provide additional detail in this DPM where this judgement has been applied.

2.3. Allowable notional revenue

Firstgas' Allowable Notional Revenue (ANR) for each pricing year is calculated in accordance with the Commerce Commission *Gas Distribution Services Default Price Quality Path Determination*, 27 May 2026. (DPP). The DPP sets a weighted average price cap that applies to Firstgas' gas distribution business. Firstgas' Notional Revenues (NR) must not exceed the Allowable Notional Revenue (ANR).

The term "notional" refers to the use of historical quantities that are used in the compliance calculations. The same (historical) quantities are used in the calculation of ANR and NR.

Target revenue is the revenue that Firstgas expects to receive in PY2027, based on the prices produced by the DPP methodology and our forecast quantities for PY2027 (as opposed to the historical quantities used for ANR and NR).

Further information on the IDs, DPP, and IMs that apply to Firstgas' distribution business can be found on the gas pipelines section of the Commerce Commission website.⁷

⁴ *Gas Distribution Information Disclosure Determination 2012 (consolidating all amendments as 3 July 2025)*.

⁵ Clause 2.5.2 of the *Gas distribution services input methodologies determination 2026*.

⁶ Clause 2.4.3(2).

3. Pricing

This section outlines the relevant business strategies and objectives that have been incorporated into our review of the DPM.

3.1. Objectives and principles

The *Commerce Act 1986* requires all gas distribution businesses to disclose in their DPM the linkages to a business 'pricing strategy' where applicable, and any changes to this strategy from preceding years⁷. Firstgas does not maintain a pricing strategy as defined in the IDs. Instead, we follow a series of pricing objectives and principles as outlined in the DPM. In accordance with these objectives and principles, we have determined that the establishment of a fair and efficient pricing for our network services will be:

- Guided by our pricing objectives, as set out below and
- In compliance with the various regulatory frameworks mentioned in section 2 above.

For PY2026 Firstgas moved away from a previous "constant price increase" approach, where all tariff components were increased by similar amounts. For FY26, and again in FY27, Firstgas chose to increase residential tariffs at a lower rate than those tariffs set for our commercial and industrial user groups. This decision acknowledges the importance of and seeks to support the continuation of residential gas use in a transitioning energy environment. Firstgas will continue to identify and monitor market indicators such as consumer and developer behaviours and electrification policy settings. Any pricing adjustments will be subject to regulatory and practical constraints.

To ensure that our prices result in an efficient allocation of costs between consumers we compare the revenue we expect to result from our prices for each consumer group to the cost allocation for that group. Table 4 on page 15 highlights these two methodologies, ensuring efficient allocation of costs between consumers.

3.2. Objectives for setting prices

When setting prices, we consider the overarching objectives of our pricing. The objectives need to be weighed up when determining the most appropriate pricing to set for any period. Firstgas does not rank one objective higher than others but seeks to achieve the best balance between competing objectives as required. This approach will always have an element of judgement involved, and we seek to provide additional detail in this DPM where this judgement has been applied.

Firstgas' DPM has been guided by the following objectives:

a) Cost-reflective pricing

All consumers should face prices that are reflective of the costs of providing gas distribution services to them. Prices for new consumers should recover the additional costs of connecting them to the network, including earning a fair return on the investment. This includes an appropriate alignment of fixed and variable revenue with sunk costs and incremental costs.

b) Clear and concise pricing structure

A simple pricing structure, with as few pricing categories as required, should allow the prices to be easily understood by both retailers and end consumers. Clear pricing, including full transparency on how prices were developed, should encourage consumers to stay connected and new consumers to connect where economic.

⁷ Clause 2.4.4 of the ID Determination.

c) Encourage efficient growth

Pricing should encourage consumers to connect to and use the distribution network where economic and desirable. Customer growth generally improves asset utilisation since most of the costs of providing gas distribution services are fixed.

d) Achieve full recovery of the ANR

Full recovery of our ANR ensures that Firstgas is sufficiently resourced to deliver on our Asset Management Plan (AMP),⁸ whilst delivering reasonable returns to our shareholders.

e) Discourage uneconomic bypass or alternative fuels

There has been significant sunk investment in the existing gas distribution networks. Pricing should ensure that customers with bypass or alternative fuels are not incentivised to make sub-optimal decisions that lead to efficiency losses, where there is available capacity on the distribution network.

f) Promote price stability and avoid price shocks

Firstgas' view is that a constant price increase approach and a consistency around our rebalancing approach for PY2027 minimises the 'price shock' effect for any one customer group over another.

g) Signal economic cost of service provision

Firstgas' pricing helps signal to potential consumers whether gas is an economic option for their demands. Firstgas note that pricing is a combination of this pricing methodology and Firstgas' capital contribution policy (available on our website⁹) and that these documents should be read together.

h) Pass the benefits of new pricing categories directly onto end consumers

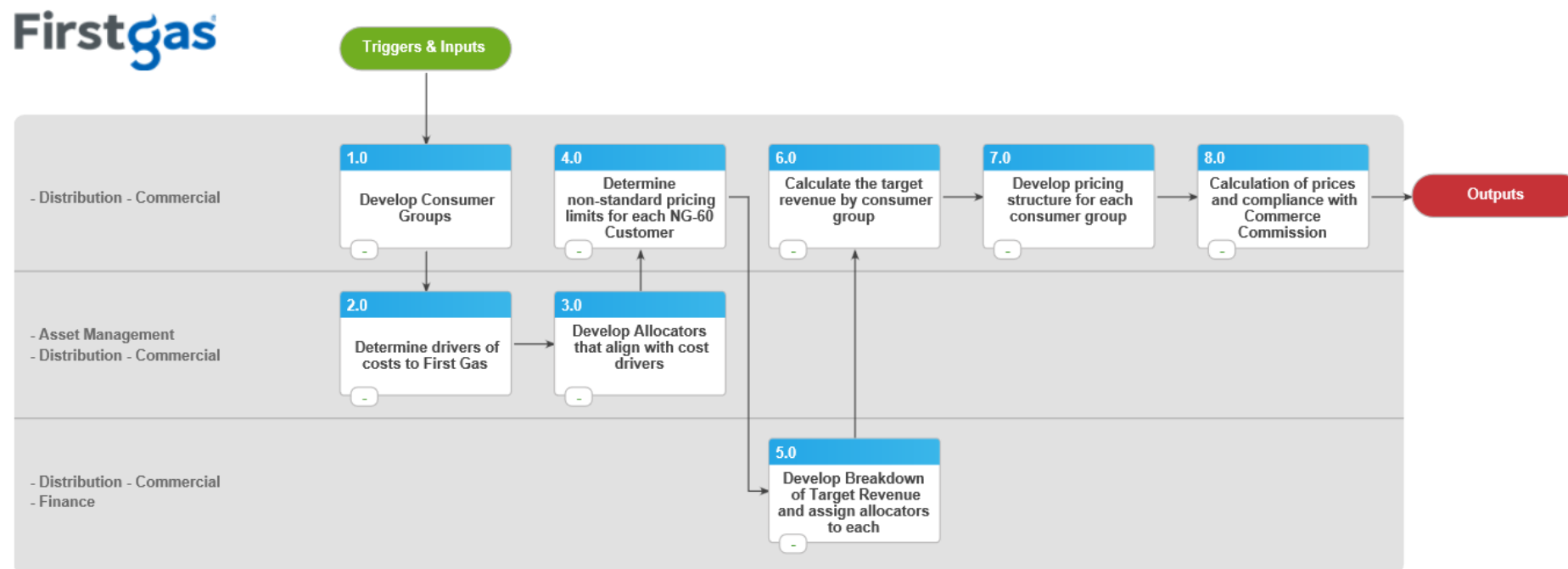
Firstgas is aware that there are different drivers in the gas value chain, from production stations through to end consumers, and that not all drivers in the supply chain are directly aligned. All changes that Firstgas makes to its pricing have the intention of passing the effect on to the end consumers of gas. For this reason, the variable tariff has criteria other than peak load that must be met for a consumer to be eligible.

⁸ Our Asset Management Plans (AMP) is updated yearly and available on our website here: <https://firstgas.co.nz/about-us/regulatory/distribution/>

⁹ Our capital contributions policy is available on our website here: <https://firstgas.co.nz/about-us/regulatory/distribution/>

4. Overview of pricing methodology process

Firstgas' DPM process is summarised in the diagram below and expanded on further in the following sections. This process has involved close collaboration across different functional teams within Firstgas – our commercial team, our asset management team, and our finance team.



5. Development of consumer groups

Our consumers are divided into four consumer groups based on the maximum flow rate of their connection, measured in standard cubic metres per hour (scm/h). We also have a consumer group for non-standard contracts. Maximum flow rate is deemed to be the most appropriate means to develop consumer groups as it accurately reflects capacity demand, or a share of use that the customer requires of the network.

Table 1 sets out the five consumer groups that we use for pricing. Consumer groups are mutually exclusive so a consumer can only fit within one group. However, there can be multiple price categories within the consumer group. Consumers within each group have broadly similar demand profiles, responsiveness to price changes and willingness to pay.

Table 1: Consumer groups

Consumer group	Flow rate (scm/h)
Mass market	< 10
Small commercial	10 < 40
Large commercial	40 < 200
Industrial	> 200
Non-standard	Varied

5.1. Customers on non-standard contracts

Firstgas currently has 17 non-standard customers across our network. Further details on our non-standard contracts are provided in **Appendix A**.

Firstgas assess requests for non-standard contracts (from new and existing customers) and will transition customers off non-standard contracts onto standard prices when circumstances suggest this is appropriate.

6. Allocation methodology

Firstgas maintains a cost-of-service model (or cost allocation model) that reflects the drivers of our business. We reassess the model each year to ensure it remains appropriate for our business. This cost-of-service model seeks to ensure that costs are efficiently allocated across consumer groups (as identified in section 5 above), based on a bottom-up assessment of cost drivers.

The allocation of costs to each consumer group is determined by an assessment of which consumers are the beneficiaries or exacerbators of various costs. For Firstgas, few costs can be directly attributed to an individual consumer group, as most of the costs relate to shared services. These shared service costs can be considered common to multiple consumer groups.

There is no single best way to allocate shared costs. Firstgas has taken a practical approach to cost allocation that uses cost allocators that are measurable based on currently available information. We prepared a full list of potential allocators, then reduced this down to the allocators that are currently measured. This process led several allocators to be removed, such as the average length of pipe per connection for each consumer group. While some of Firstgas'

costs are related to the length of pipeline, due to the integrated nature of our consumers including across multiple consumer categories, it is not possible to determine the distinct length of pipeline (including mains) that serves any consumer or consumer group.

6.1. Allocators selected

The allocators we have used in this DPM are:

- Aggregate (consumer groups) peak monthly consumption (**Capacity**) and
- Number of active ICPs (**Number of Connections**).

Firstgas has proceeded with a **Capacity** allocator using the monthly peak. While we would ideally prefer to measure **Capacity** at a period that is appropriate to a gas network's operation (daily), data granularity varies across the network, from hourly for Time of Use (TOU) large sites to multiple months for some mass market connections. Monthly peak consumption is the lowest granularity possible that can be provided with consistent and measurable data. As smart metering data becomes widespread and accessible Firstgas will continue to investigate options to understand the coincident peak load information and each consumer group's impact on the network capacity.

7. Value of allocators

Each of the allocators have had the historical data for the previous year applied to determine appropriate allocation rates for each.

Industrial and non-standard customers have other characteristics that impact the level of cost recovery that Firstgas seeks from each customer. These include considerations such as bypass risk, alternative fuels, and available capacity in the network area.

One assumption that needs to be made at the start of this allocation process, is what costs non-standard customers contribute towards. Firstgas has applied the non-standard revenue pro-rata across all cost categories. This is not a precise assumption but is easy to implement and avoids remaining costs being weighted towards a particular consumer group.

The remaining revenue is then allocated against the totals of all groups excluding the non-standard consumers. The results are shown in the table below.

Table 2: Historical figures for determining allocation splits, standard tariff customers
(Source Schedule 8 Firstgas Information Disclosures)

Allocation Group	ICP's	% of ICP's	TJ / Year	% of Total	% of TJ / Month
Mass market	65,875	96.8%	1,349	32.4%	39.2%
Small commercial	1,549	2.3%	452	10.9%	11.0%
Large commercial	523	0.8%	872	21.0%	21.5%
Industrial	78	0.1%	1,485	35.7%	28.2%
Total	68,025	100%	4,158	100.0%	100.0%

8. Pricing for non-standard contracts

8.1. Level of non-standard contracts in PY2027

We currently have 17 active non-standard customers, two of which are equivalent to direct connects to the Transmission network. We recover revenue from the remaining 15 non-standard consumers. 12 of the non-standard consumers have discounts on standard pricing due to the criteria in 8.3 below, whilst 3 customers have higher than standard pricing to recover investment costs required to provide distribution services to those customers.

8.2. Revenue from non-standard contracts

Firstgas expects to recover notional revenue of approximately \$1,925,939 from the 15 chargeable non-standard consumers in PY2027, which represents 4.3% of Firstgas' revenue for its distribution services.

8.3. Criteria for non-standard contracts

Consumers may be assessed for non-standard terms or pricing if they meet one or more of the following criteria:

- The total annual quantity of gas consumed or forecast to be consumed per annum (Annual Quantity or AQ) is greater than 20TJ or
- The AQ is between 10TJ to 20TJ and the consumer's point of connection to Firstgas' gas distribution network is close to the gas transmission system or
- It can be demonstrated that alternative sources of energy (including but not limited to wood, coal or electricity) could meet the consumer's requirements at a lower cost than our standard prices, are technically, operationally and commercially viable, and would have a reasonable prospect of being successfully implemented. In these circumstances, it would be uneconomic to connect the consumer on standard prices.
- The cost to serve is higher than the GN04 or GN05 would allow recovery on, and the consumer would prefer ongoing higher charges to a capital contribution.

Firstgas will continue to assess whether to apply non-standard pricing and the corresponding contractual arrangements to new consumers on a case-by-case basis. Generally, if a consumer does not meet at least one of the assessment criteria, they will be subject to published standard distribution prices. Meeting one or more of the assessment criteria does not mean that a non-standard arrangement will apply, but rather that the consumer may be reviewed to determine whether standard pricing and standard contractual terms are suitable, given the consumer's individual circumstances. A full summary of the current non-standard customers is available in **Appendix A**.

Firstgas' obligations and responsibilities to consumers in the event of a supply interruption is the same whether the consumer is on non-standard contracts or a standard contract.

9. Target cost allocation and allocators

This table sets out the costs that Firstgas expects to recover in PY2027 broken down by key components, together with the allocator that has been assigned to each cost category for the purposes of calculating the Target Allocation. The cost categories for PY2027 have been updated to more closely reflect our budgeting process.

Table 3: Target revenue broken down by cost categories

		PY2027	PY 2026	
Cost Category	Allocator	Cost Allocated (\$)	Cost Allocated (\$)	%
Pass through Costs (Rates, Levies)	System Peak	\$1,467,389	\$1,155,400	21.26%
Business Support	Number of Connections	\$3,681,117	\$4,114,521	-11.77%
Service interruptions, incidents and emergencies	Number of Connections	\$1,587,819	\$3,315,321	-108.80%
Routine Maintenance	System Peak	\$3,246,080	\$772,291	76.21%
Corrective Maintenance	Number of Connections	\$1,326,495	\$497,730	62.48%
System operations and network support	Number of Connections	\$3,629,946	\$2,161,000	40.47%
Regulatory Tax	Number of Connections	\$4,274,115	\$3,482,160	18.53%
Regulated return on investment	System Peak	\$9,817,709	\$9,128,434	7.02%
Depreciation and revaluations on regulated asset base	System Peak	\$16,643,230	\$15,764,643	5.28%
Target Revenue		\$45,673,900	\$40,391,500	11.57%

10. Revenue allocation by consumer group

We allocate target revenue using peak monthly consumption and ICP count to reflect how different consumer groups use the network. This approach ensures costs are shared fairly, aligns with cost drivers, and supports consistent, practical, and cost-reflective pricing.

Firstgas calculates a target allocation from each consumer group using the allocation methodology discussed in Section 6. The 'Target Allocations' that result from this process are shown in the table below. The 'Target Revenue' percentages show the proportion of revenue that we expect to recover from each consumer group as a result of

our prices and forecast quantities. A comparison between Target Allocation and Target Revenue for each group allows for an assessment of the cost allocation efficiency that results from our prices. The table demonstrates strong alignment between Target Allocation and Target Revenue and therefore an efficient allocation of costs between consumer groups.

Table 4: Target allocation of revenue across consumer groups

Consumer Group	Cost Allocated (\$)	Target Allocation (%)	Forecast Revenue (%)
Mass Market	\$25,055,774	54.9%	63.5%
Small Commercial	\$3,588,565	7.9%	7.3%
Large Commercial	\$6,498,950	14.2%	12.1%
Industrial	\$8,411,500	18.4%	12.4%
Non – Standard	\$2,119,111	4.6%	4.6%
Total	\$45,673,900	100.0%	100.0%

11. Development of price categories

The following section provides an overview of the various price categories that Firstgas offers within each consumer group.

11.1. Mass-market consumer group

The mass market consumer group is split into two subgroups: residential and general/business. Residential consumers are more sensitive to fixed charges. Therefore, the residential group has a lower fixed charge than the general/business.

The subgroups map directly into price categories as set out in Table 5 below.

Table 5: Price categories within each consumer group

Consumer Group	Price Category Code	Price Category Description
Mass Market	GN0R , GN01	Residential, General Business
Small Commercial	GN02	Small Commercial
Large Commercial	GN03	Large Commercial
Industrial	GN04, GN05	Industrial, Large Industrial

11.2. Commercial consumer groups

The small and large commercial consumer groups map directly to price categories based on load.

11.3. Industrial consumer group

The industrial consumer group is split into two sub-groups: industrial and large industrial.

Firstgas has maintained the “large industrial” price category with a higher fixed price (GN05). This price category is suitable for consumers with annual consumption greater than approximately 16,500 MWh per annum, but who do not meet the “stand alone cost test”. Offering this price category reduces the administrative burden of offering these consumers’ individual non-standard prices. Industrial customers may opt for either a GN04 or GN05 tariff depending on their connection requirements, however they may not change tariff more than once in any 12-month period

11.4. Overview of price components that Firstgas uses

Each price category has two price components for consumers, a fixed daily price (\$/day) and a volume price (\$/kWh).

Table 6: Description of price components

Price Type	Price Component	Code	Units	Description
Fixed	Daily	FIXD	\$/Day	Daily price applied to the number of days each consumer’s point of connection is connected to the gas distribution network.
Variable	Volume	24UC	\$/kWh	Volume price, applies to all gas distributed to each consumer.

11.5. How the price for each component is derived

Firstgas’ price structure reflects the price sensitivity of our consumers. The fixed price for each price category increases with consumer capacity and consumption, i.e., the larger the consumer, the higher the fixed price.

Firstgas is aware and acknowledges the effect of price changes for consumers. The fixed and variable nature of our costs has not changed and the previous approach to fixed and variable pricing is sound.

Each consumer group is assessed on their impacts on Firstgas’ costs. Small consumers, such as residential households have a higher (energy weighted) marginal cost to serve than larger consumers. It is therefore expected that the proportion of target revenue that is recovered through fixed costs increases as the size of the consumer load increases. The largest consumers (GN05) are on tariff structure that is highly fixed.

When deriving the pricing for the mass-market, consumers’ willingness to pay is a significant driver and has been increasingly considered within a “rebalance” objective. Small businesses appreciate pricing stability and are therefore suited to a higher proportion of fixed costs. Residential mass-market consumers on the other hand prefer to only pay for goods as services are consumed. A higher variable pricing model suits these consumers.

Table 7: Fixed and variable pricing allocation by price category

Consumer Group	Price Categories	Fixed (Daily Price)	Variable (Volume Price)
Mass Market	GN0R	56.93%	43.07%
	GN01	55.88%	44.12%
Small Commercial	GN02	41.22%	58.78%
Large Commercial	GN03	36.59%	63.41%
Industrial	GN04	20.02%	79.98%
	GN05	66.05%	33.95%

12. Proportion of Target Revenue by price component

The following table shows the forecast proportions of Target Revenue by price component.

Table 8: Proportion of target revenue by consumer group and price component

Consumer Group	Price Categories	ICP Count	Fixed (%)	Variable (%)	Total (%)
Mass Market	GN0R	63,891	33.91%	25.66%	59.57%
	GN01	1,984	2.21%	1.75%	3.96%
Small Commercial	GN02	1,549	3.02%	4.31%	7.33%
Large Commercial	GN03	523	4.44%	7.70%	12.14%
Industrial	GN04	70	1.68%	6.73%	8.41%
	GN05	8	2.61%	1.34%	3.95%
Non – Standard	GN60	18	4.02%	0.57%	4.64%
Total		68,043			100.00%

13. Consultation

As there were no structural changes to the Distribution Pricing Methodology (DPM) between PY26 and PY27, Firstgas did not undertake dedicated retailer consultation as part of the PY27 pricing process. Retailer consultation had already been completed during the PY26 pricing process.

Firstgas' broader customer engagement approach is supported by a range of ongoing initiatives, including regular engagement with retailers, annual public perception surveys, direct interaction with new and existing consumers through the connection process, and ongoing engagement with large-volume and high-revenue consumers through semi regular call cycles. These activities provide valuable opportunities to understand customer needs, gather feedback, and inform decision-making on pricing and service delivery matters.

14. Impact of PY2027 price changes

For Pricing Year 2027, Firstgas has continued a “rebalance” approach where our PY2027 residential tariff has increased at a lower rate than those for commercial and industrial groups. The reasoning behind this approach is that the residential market contributes the greatest portion of our revenue, and we also consider that generally, this tariff group is more sensitive to price increases and at greater risk of defection. Moderating prices for residential consumers will in the long run help maintain overall connection numbers and greater utilisation across the network, benefiting all consumers. Table 9 provides a breakdown of the price changes by price category. All price changes are in line with the price path set out in the Commerce Commission’s *Default Price-Quality Path Determination 2022*. Further information on our annual price review, including why prices have changed is available on the Firstgas website <https://firstgas.co.nz/about-us/regulatory-information/distribution>

Significant drivers of the price changes are:

- Compliance with the DPP4 price path, which sets a cap on allowable revenue based on historical quantities and inflation-adjusted forecasts.
- Increases in routine maintenance.
- Increases in system operations and network support.

Inflation adjustments based on CPI, as permitted under the DPP framework.

Table 9: Price changes by price category

Category	PY26 Pricing		PY27 Pricing		Price Change PY26 to PY27		
	Fixed Price \$/Day	Volume Price \$/kWh	Fixed Price \$/Day	Volume Price \$/kWh	Fixed Change	Variable Change	Estimated price change*
GN0R	0.63526	0.036895	0.66702	0.03875	5.00%	5.01%	5.01%
GN01	1.27298	0.015054	1.41880	0.01677	11.45%	11.42%	11.44%
GN02	2.19737	0.014650	2.44907	0.01633	11.45%	11.46%	11.46%
GN03	9.64272	0.013460	10.74726	0.01500	11.45%	11.46%	11.46%
GN04	27.93657	0.012751	31.13662	0.01421	11.45%	11.44%	11.45%
GN05	462.22850	0.003082	515.17533	0.00343	11.45%	11.38%	11.42%

*For an average consumer on each price category

15. Consistency with pricing principles

The Pricing Principles are specified in clause 2.5.2 of the *Gas Distribution Services Input Methodologies Determination 2026*. Table 10 assesses the compliance with each criteria. During 2024, Firstgas engaged external consultancy Farrierswier to complete a review of its Pricing Methodology. Included within the scope of the review was assessing that the Pricing Methodology remained fit for purpose and compliant with the Pricing Principles.

Table 10: Pricing Principle Compliance

Pricing Principle	Description of Compliance
1. Prices are to signal the economic costs of service provision, by: a) Being subsidy free, that is, equal to or greater than incremental costs and less than or equal to standalone costs, except where subsidies arise from compliance with legislation and/or other regulation;	The Firstgas cost allocation model still accurately reflects Firstgas' business and brings the network pricing in line with the Firstgas costs. Quantitative analysis within the 2024 review determined that tariffs sat within the range of greater than incremental costs but less than standalone costs. Two of the allocators used by Firstgas are tied to consumer load, as constraints from the remaining capacity of the system often drives significant capital investments. Firstgas assess alternative fuel options, especially LPG and electricity, and has worked to ensure prices can be offered in the range between incremental and stand-alone costs. This is challenging for some potential new consumers (low use residential, or highly seasonal mass-market) and the capital contribution policy should be read in conjunction with this DPM to understand how only economic consumers, that will not require subsidies from other users, are connected to the network.
1. Prices are to signal the economic costs of service provision, by: b) Having regard, to the extent practicable, to the level of available service capacity c) Signalling, to the extent practicable, the effect of additional usage on future investment costs.;	Our prices include the provisions for returns on Capital Expenditure, as allowed by the Commerce Commission, which effectively allocates any investment in system capacity to the users who caused the constraint. Our network uses a single set of prices across all network areas which results in some limitations in compliance with principle 1(b). There were no significant differences identified in the costs of owning and operating networks across the different locations, and we sought to keep pricing as simple as possible. Firstgas will continue to assess this approach as part of the annual pricing exercise. Non Standard pricing will be individually set for each customer. Pricing could be set lower than a standard tariff to acknowledge the economies of scale achieved with a high delivery of gas or alternatively to protect revenue due to a bypass risk of an alternative fuel. Pricing could be set higher due to significant costs to supply requiring greater than tariff revenues to ensure acceptable returns

2. Where prices based on 'efficient' incremental costs would under-recover allowed revenues, the shortfall is made up by prices being set in a manner that has regard to consumers' demand responsiveness, to the extent practicable.	Firstgas has considered consumers' demand responsiveness and factored that into the DPM. This assumption was further tested during the 2024 pricing review via a willingness to pay analysis. This willingness to pay analysis examined residential, commercial and industrial market conditions and demand elasticity. The review identified that the residential market was the sector most at risk of defection. This was a factor supporting the strategy to rebalance tariff groups. Firstgas believes that the pricing derived for commercial and industrial consumers under the 'efficient' allocation of incremental costs closely aligns with the demand responsiveness of these consumers. For the few consumers where this does not align, non-standard pricing is an option. The mass-market consumer group however has a slight disconnect between the 'efficient' incremental costs, and some consumers demand responsiveness. The mass-market issue is exacerbated by the fact that the distribution tariffs are only a portion of the costs charged to the end users. Energy costs and retailers' costs and margins are also included. Mass-market consumers have sensitivity to high daily charges, and the proportion of revenue that is recovered through fixed charges (at the retailer level) is substantial and drives some consumers away from natural gas as a fuel.
3. Provided that prices satisfy (1) above, prices are responsive to the requirements and circumstances of consumers in order to: a) Discourage uneconomic bypass; and b) Allow negotiation to better reflect the economic value of services and enable consumers to make price/quality trade-offs or non-standard arrangements for services.	Our non-standard contracts are continually reassessed to transition as many consumers as possible back to standard network pricing where the justifications for non-standard pricing no longer apply, or the "efficient" incremental costs for a consumer have changed. We also continue to pursue higher-than-standard tariffs in some cases to ensure that there is no cross-subsidisation by existing users of the network. As described in this DPM, the non-standard consumers' revenue is removed from the allocation exercise, along with the non-standard consumers loads and number of connections to ensure all remaining costs are efficiently allocated to standard consumers.
4. Development of prices is transparent, promotes price stability and certainty for consumers, and changes to prices have regard to the effect on consumers.	Firstgas consults with retailers and key stakeholders when considering structural changes to the methodology. We continue to make improvements to our pricing methodologies, documentation, and public disclosures in the interest of keeping these disclosures understandable for consumers and to reduce complexity. When considering changes to our pricing methodology, we consider it important to avoid significant step-changes where possible to avoid disruptions to market confidence.

Appendix A: Non Standard Price Summary

ICP	Reason for Pricing	Standard Tariff Equivalent	Discount to Standard
0008000027NGD9C	Bypass	GN05	94%
0008000029NGE07	Bypass	GN05	88%
0008000032NGA7E	Measurement Only	N/A	100%
0008000033NG63B	Bypass	GN05	98%
0008000038NG8EF	Bypass	GN05	79%
0008000040NGFA6	Bypass	GN05	78%
0008000047NG26C	Measurement Only	N/A	100%
0008000051NG94E	Bypass	GN05	21%
0008000072NG8DB	Bypass	GN05	93%
0008000080NG849	Bypass	GN04	76%
0008000147NGB68	Bypass	GN04	82%
0008000249NGBF0	Bypass	GN05	92%
0008000300NGE00	Bypass	GN05	97%
1001295720NG848	Interconnection, Cost Recovery	GN05	1%
1001296139NG852	Interconnection, Cost Recovery	GN04	-124%
1001303155NG034	Interconnection, Cost Recovery	GN05	26%
1001305387NG234	Bypass	GN05	79%

*Note that a negative 'Discount to Standard' indicates that the non-standard tariff is higher than the standard tariff

Appendix B: Director Certification

We, and, being directors of First Gas Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) the following attached information of First Gas Limited prepared for the purposes of clause 2.4.1 of the *Gas Distribution Information Disclosure Determination 2012* in all material respects complies with that determination.
- b) The prospective financial or non-financial information included in the attached information has been forecast on a basis consistent with regulatory requirements or recognised industry standards.



Director: Paul Hayden GOODEVE

22 September 2026

Date



Director: Benjamin John GERRITSEN

22 September 2026

Date