30 September 2025

Firstgas

Asset Management Plan

Distribution

Disclaimer

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Message from the Chief Executive

Tēnā koutou katoa,

Welcome to Firstgas' 2025 gas distribution asset management plan (AMP). This year's AMP has been developed in the context of a changing energy landscape and reflects an evolution in how we plan, operate, and invest in our distribution network.

Gas continues to play a vital role in supporting New Zealand's energy needs, but the way we deliver that service must adapt. Declining demand, increasing uncertainty, and the emergence of alternative fuels mean that our network will need to operate differently in the years ahead. This AMP outlines a shift from a traditional "maintain and renew" model to a more flexible, risk-informed strategy—one that prioritises safe utilisation of existing assets, substitutes other interventions for long-life capital investment where appropriate, and aligns our operations with the needs of our customers and the country's energy transition.

We are committed to maintaining safety and supporting service continuity, but we recognise that current required service levels may evolve over time. Our focus is on ensuring that the distribution network remains safe, efficient, responsive, and fit for purpose under a range of future scenarios. This AMP is part of a broader strategy to reduce the risk of asset stranding and future price pressures, while continuing to deliver value to our stakeholders.

With over 2,500 kilometres of transmission pipelines and 5,000 kilometres of distribution assets, our network continues to play a vital role in supporting industrial, commercial, and residential energy needs across the North Island. This AMP builds on our strong foundation of infrastructure stewardship and customer engagement and outlines a clear path forward in a more uncertain and dynamic environment.

We are focused on managing service quality and optimising performance through targeted investments. These initiatives are designed to ensure our network remains resilient and fit for purpose, even as demand patterns shift. Our hydrogen blending trial and biomethane integration at Reporoa also demonstrate our readiness to support New Zealand's energy transition.

We look forward to engaging with you as we navigate this transition together.

Ngā mihi nui

Paul Goodeve
Chief Executive

Executive summary

This is the Firstgas gas distribution asset management plan (AMP) for 2025. This AMP focuses on our planned expenditure and the operation of our gas distribution business.

Introducing the 2025 Asset Management Plan

This document is part of our ongoing engagement with our customers and provides a way for our customers to evaluate the value being delivered by our expenditure.

The 2025 AMP introduces a more flexible and risk-informed asset management strategy that reflects the evolving role of gas in New Zealand's energy system. Rather than continuing with a traditional "maintain and renew" model, Firstgas is transitioning toward a strategy that prioritises the safe utilisation of existing assets, substitutes other interventions for long-life capital investment where appropriate, and adapts the network to operate efficiently under lower and more variable demand conditions. This includes reassessing operating parameters, maintenance practices, and the overall size of the distribution network to ensure that investment decisions remain proportionate to future service requirements. Safety remains the highest priority, but reliability expectations may evolve over time in consultation with stakeholders.

This strategic shift is not a retreat from service delivery, but a recognition that the distribution network must be managed differently to remain viable and responsive.

The AMP outlines a pathway to reduce baseline and discretionary expenditure while maintaining the ability to support core customer needs. It reflects a deliberate move to reduce the risk of asset stranding and future price pressures, while enabling Firstgas to respond to uncertainty in gas supply, demand, and policy settings. Compared to previous AMPs, this plan is more transparent about the trade-offs involved and more focused on aligning investment with the long-term interests of customers, regulators, and the country's energy transition.

Background to the 2025 AMP

Firstgas owns and operates more than 4,996 kilometres of gas distribution pipelines that service approximately 68,000 consumers across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne and Kāpiti Coast.

Clarus

Firstgas is part of the wider **Clarus Group**.[1] Clarus is one of New Zealand's largest energy groups with businesses that touch many aspects of the energy supply chain including Rockgas, Firstgas, Firstlight Network, First Renewables and Flexgas.

Firstgas also owns and operates New Zealand's gas transmission network, which consists of approximately 2,500 kilometres of gas transmission pipelines. The gas transmission business is also regulated under Part 4 of the Commerce Act 1986 and the 2025 AMP for the gas transmission business is available on the Firstgas website.[2]

Our gas distribution business is focused on distributing gas across Firstgas networks to meet the diverse needs of all customers, be it industrial processes, commercial businesses, or residential customers using gas for their space heating, water heating and cooking needs. Firstgas is focused on ensuring gas is a competitive fuel choice for customers, while operating within the regulated price-quality framework set by the Commerce Commission.

Our approach is driven by our purpose and mission:

Purpose

Deliver good energy for a brighter Aotearoa.

Mission

Deliver safe, reliable and cleaner energy today and in the future, doing right by our environment, people and communities.

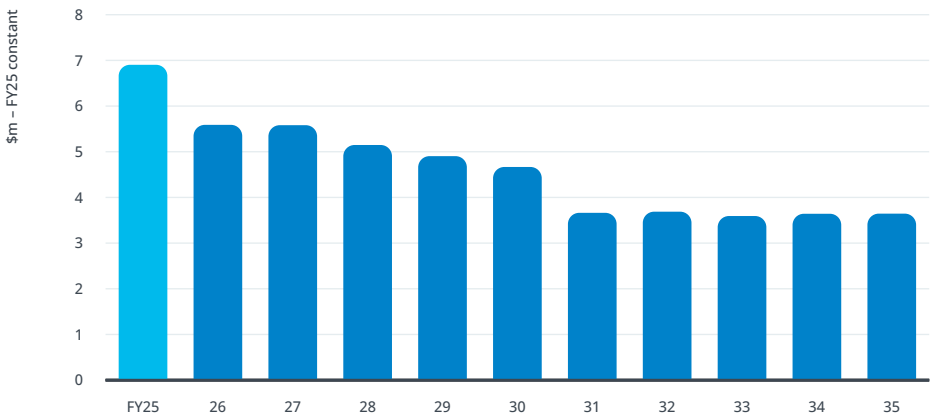
1 Further details are available at the website **clarus.co.nz**
2 Information on the transmission business is available **here**

The 2025 AMP sets out a summary of planned investments in our gas distribution network during the planning period to develop the distribution network, renew assets and undertake maintenance to provide a safe, reliable, and valued service to customers. Planned expenditure over the 10-year planning period is based on analysis of customer, future demand, network and asset information.

Capital expenditure (capex) forecast

Forecast capex over the planning period is set out to the right.

Total forecast capex for the planning period (constant FY25)



AMP 25 includes a lower forecast for consumer connections and system growth relative to AMP 24. This reduction is informed by recent trends: a downturn in building consents, connection rates due to the uncertainty of future gas supply, and a potential change in our capital contributions policy. While this adjustment is anticipated to reduce new connections further, reflecting broader economic sentiment it remains possible that some consumers may choose to proceed with gas connections regardless of the revised contribution rates. We will continue to monitor both connection trends and market responses closely, ensuring our investment and operational strategies remain robust and responsive.

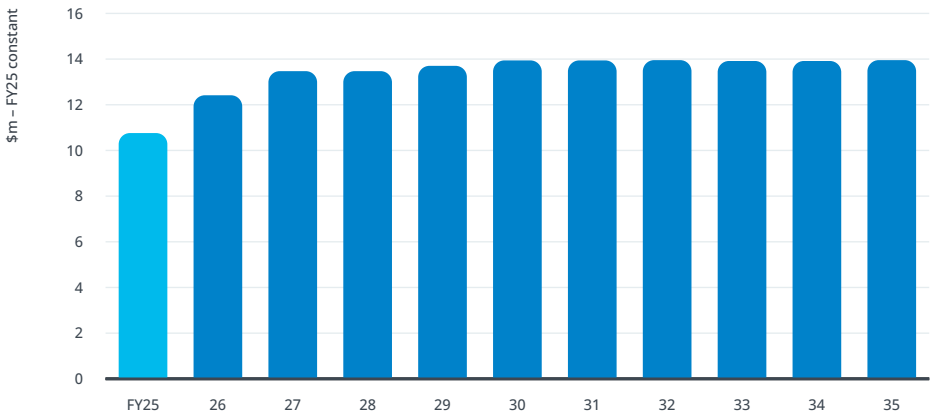
A significant driver of our asset replacement and renewal forecast is the pre-85 polyethylene (PE) pipe replacement programme. This targeted initiative seeks to address the heightened risk of leaks in pipelines laid prior to 1985, particularly where the historical “squeeze-off” isolation method was previously applied.

The ongoing risk associated with these legacy pipelines also necessitates an uplift in opex, supporting not only informed replacements but also reactive repairs where required. By prioritising these replacement and repairs, we aim to mitigate safety risks within the network and balance the trade-off of long-term capital investment against substitution of opex based interventions.

Operating expenditure (opex) forecast

Forecast opex over the planning period is set out to the right.

Total forecast opex for the planning period (constant FY25)



We are forecasting an increase in opex over the planning period as evolving gas demand requires further investigation. Undertaking targeted assessments of assets that may need to be removed from service and managing the ongoing risk of pre-85 PE pipeline. This work will inform future decisions on network operation and ensure the network is right-sized to meet changing needs.

In addition, further expenditure is necessary to strengthen our cybersecurity capabilities, update ICT systems, and continue the transition to Software as a Service (SaaS) solutions. These activities are essential to effectively protect our systems and ensure the efficiency of our operations into the future.

Forecast summary

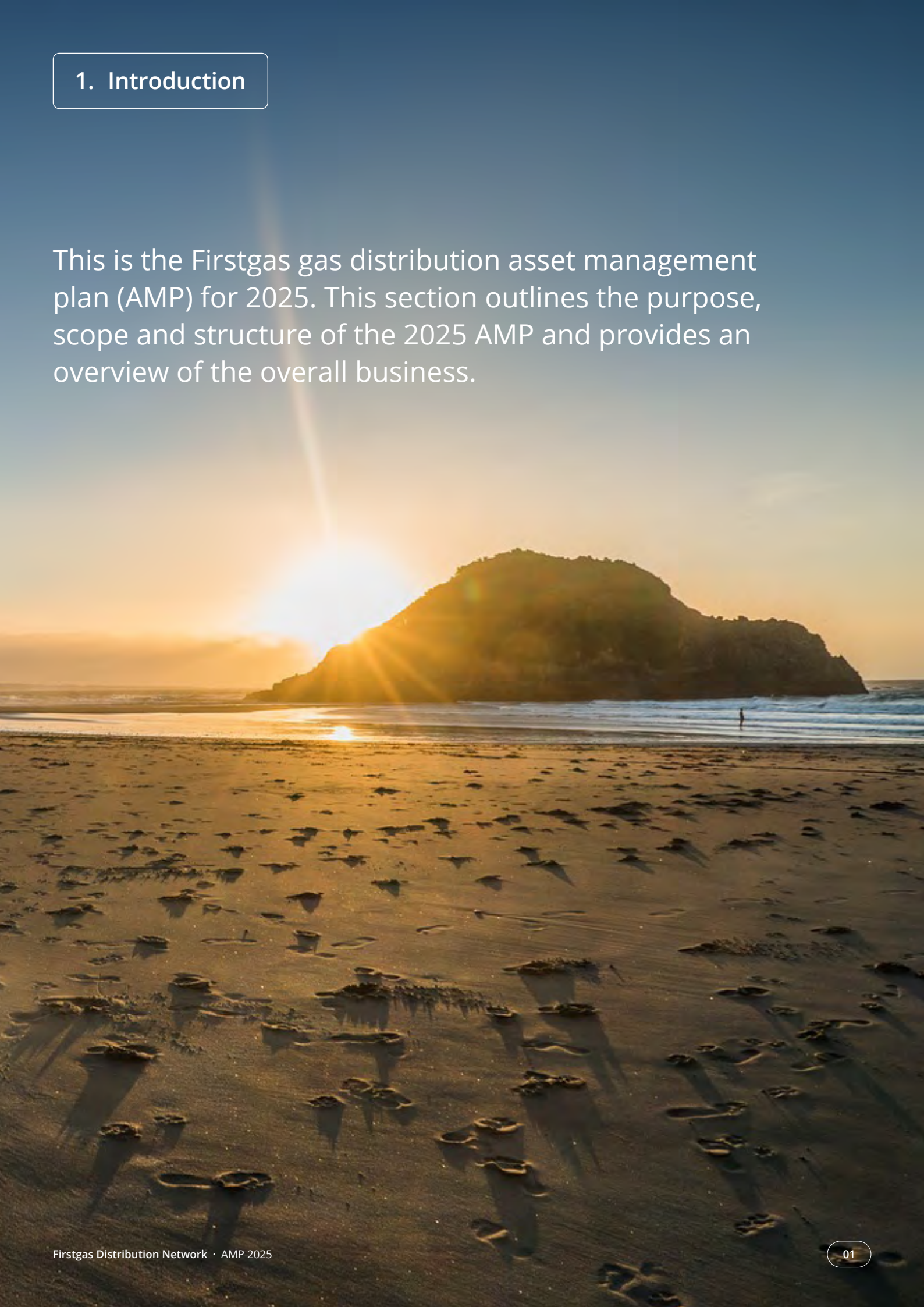
The above forecasts reflect our current view of required opex and capex over the next ten years. While priorities may change over this time, we consider it important that we clearly outline our plans for the distribution network, while maintaining flexibility to adapt and respond to circumstances as the period progresses. Further details on our expenditure plans are set out in the remainder of this document.

Table of contents

Please refer to the supporting appendices for this AMP, which are available **here**

1. Introduction

This is the Firstgas gas distribution asset management plan (AMP) for 2025. This section outlines the purpose, scope and structure of the 2025 AMP and provides an overview of the overall business.



As the sole provider of gas distribution services in its areas of operation, Firstgas is regulated under Part 4 of the Commerce Act 1986 and subject to both default price-quality path (DPP) and Information Disclosure regulation. Publishing an AMP is a regulatory requirement. It is a key document supporting engagement with customers and stakeholders. Information on Firstgas' gas transmission business (GTB) can be found in a separate AMP.[3]

1.1. Purpose of the gas distribution AMP

This AMP replaces all previous AMPs and discloses our planned expenditure and approach to the operation of our gas distribution business. We also see this AMP as an important planning tool for our operating expenditure (opex) and capital expenditure (capex) over the next ten years. While priorities may change over this time, we consider that it essential that we clearly outline our plans for the distribution network, while maintaining flexibility to adapt and respond to circumstances as the period progresses.

In addition, this document is one part of our ongoing engagement with our customers, and it provides an important way for our customers to evaluate the value being delivered by our expenditure.

1.2. Alignment with regulatory requirements

Our AMP aligns with regulatory requirements set out in the Information Disclosure Determination[4], as it:

1. relates to the gas distribution services supplied by Firstgas
2. has been prepared in accordance with Attachment A to the Gas Distribution Information Disclosure Determination document
3. meets the purposes of AMP disclosure as set out in clause 2.6.2
4. contains the information set out in the schedules described in clause 2.6.6 (Schedules 11a, 11b, 12a, 12b, and 12c).
5. provides an updated view of the asset management practices of Firstgas using the asset management maturity assessment tool (AMMAT) (Schedule 13).

1.3. Period covered by the AMP

The AMP covers the ten-year period from 1 October 2025 through to 30 September 2035 (planning period). This aligns with our 1 October to 30 September financial and pricing year. The expenditure forecasts presented in this AMP are expressed in constant 2025 prices (unless otherwise stated).

The 2025 Firstgas GDB AMP was approved by our Board of Directors on 29 September 2025.

1.4. Scope of the 2025 AMP

The 2025 AMP sets out a summary of planned investments in our gas distribution network during the planning period to develop the distribution network, renew assets and undertake maintenance to provide a safe, reliable, and valued service to customers.

Expenditure forecasts and planned projects over the 10-year planning period are based on analysis of customer, network and asset information, and reflect a relatively high degree of accuracy (to the extent reasonably possible). These capex and opex forecasts are important inputs to the Firstgas annual business plan.

This AMP complies with the requirements for an asset management plan, as specified in the Commerce Commission's Information Disclosure requirements.[5] Appendix F of the accompanying AMP appendices document[6] includes a reference table, setting out compliance with these information disclosure requirements.

3 Information on our transmission business is available **here**
4 Gas Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024, available **here**
5 As set out in clause 2.6.5 of the Gas Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024.
6 The appendices document is available **here**

1.5. Structure of the AMP

The structure of the 2025 AMP Summary is aligned with the AMP Update document published in 2024.

Table 1.1: AMP Structure

	CHAPTER	DESCRIPTION
	Executive summary	Summarises the key points of the AMP
1	**Introduction**	This chapter
2	**Overview of Firstgas**	Provides an overview of our gas distribution business
3	**Year in review**	A summary of key activities and investments during FY25
4	**Expenditure forecasts**	Provides a summary of our forecast expenditure over the next ten years

The appendices are a separate document and can be viewed here

	APPENDICES	DESCRIPTION
A	**Glossary**	Sets out key terms and abbreviations
B	**Information disclosure schedules**	AMP disclosure schedules required by Commerce Commission
C	**Asset management approach**	Overview of our approach to asset management
D	**Lifecycle management**	Explains our lifecycle-focused approach to managing our distribution assets
E	**Network development**	Explains our approach to developing our distribution network
F	**Compliance schedule**	Sets out how the AMP addresses relevant Information Disclosure requirements
G	**Director certificate**	A copy of the AMP's director certification

2. Overview of Firstgas

This section introduces the Firstgas business and provides an overview of how the organisation is structured. It also provides key information on the gas distribution network, and our approaches to asset management and stakeholder engagement.

2.1. Corporate structure

Firstgas owns and operates more than 4,996 kilometres of gas distribution pipelines that service approximately 68,000 consumers across the North Island.

Clarus

Firstgas is part of the wider **Clarus Group**.[7] Clarus is one of New Zealand's largest energy groups with businesses that touch many aspects of the energy supply chain including Rockgas, Firstgas, Firstlight Network, First Renewables and Flexgas.

Firstgas also owns and operates 2,517 kilometres of gas transmission pipelines, which are essential to supplying natural gas to industrial, commercial and residential customers throughout the North Island. The gas transmission business is also regulated under Part 4 of the Commerce Act 1986 and the 2025 AMP for the gas transmission business is available on the Firstgas website.[8]

Firstgas believes that common ownership is delivering distinct advantages for gas industry participants and consumers, including:

- a strong commercial interest in maximising the competitiveness of gas
- scale and new capabilities to capitalise on opportunities across the gas transmission and gas distribution network
- ability to operate the gas transmission and the gas distribution network and manage assets in ways that better serve the interests of all customers.

Firstgas remains focused on delivering safe and reliable gas distribution services and ensuring work signalled in the AMP maximises the value obtained from the gas networks.

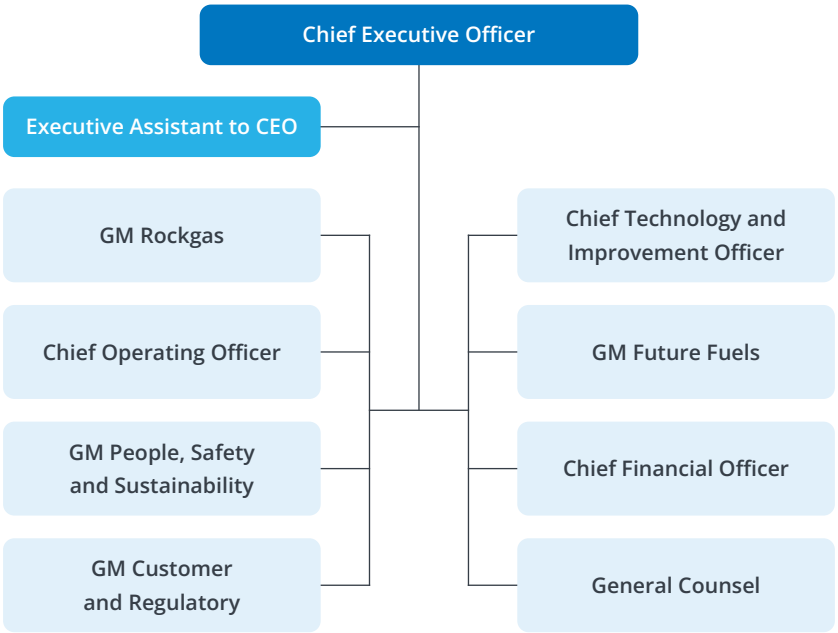
2.1.1. Firstgas Board

Firstgas is governed by a board of directors, chaired by Mark Ratcliffe. The board has a mixture of professional infrastructure experience from both sides of the Tasman. Biographies for the individual Board members are available on the web page **Clarus our people.**

2.1.2. Organisation Structure

Firstgas employs approximately 300 staff[9] with most based in our corporate headquarters in Bell Block, New Plymouth, with teams also located in Wellington, Tauranga, Palmerston North, Hamilton, and Auckland. Our executive team is headed by our chief executive, Paul Goodeve, with nine direct reports. Our organisational structure is illustrated in Figure 2.1 to the right.

Figure 2.1: Organisation chart



7 Further details are available at the website clarus.co.nz
8 Information on our transmission business is available here
9 Excludes employees directly employed by Rockgas and Firstlight Network but incorporates business support staff that provide support across the Clarus Group.

2.2. Our gas distribution network

The Firstgas distribution business incorporates gas distribution networks across the Northland, Waikato, the Central Plateau, Bay of Plenty, Gisborne and Kāpiti Coast regions of the North Island, as highlighted in teal in Figure 2.2.

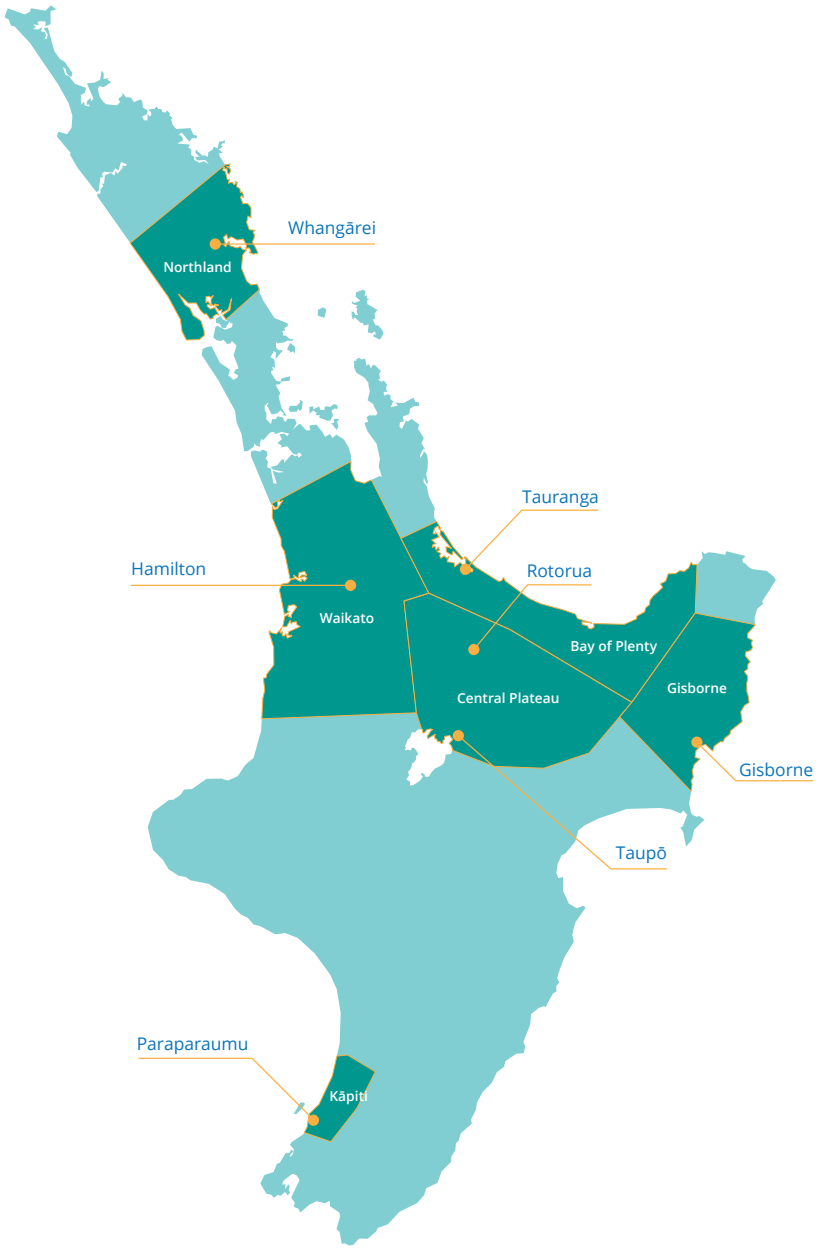
Gas distribution services are provided to retailers who sell gas to approximately 68,000 residential, commercial, and industrial customers.

Key statistics for the gas distribution network, as of 1 July 2025, are set out in Table 2.1.

Table 2.1: Gas distribution network statistics

STATISTIC	VALUE
Consumers connected	68,000
Network length (km)	4,996
Consumer density (consumer/km)	14
District regulating stations (DRS)	123
DRS density (network km/DRS)	40.6
DRS utilisation (consumers/DRS)	551.2
Gas conveyed (PJ per annum)	9.257

Figure 2.2: Gas distribution network



2.3. Asset management strategy

At Firstgas, we put significant effort into ensuring we safely, reliably and cost-effectively supply gas to our customers. Our business' focus on gas directly influences our approach to asset management through our strong desire to ensure we provide reliable and cost-effective services to customers. We will also investigate opportunities with renewable gases where economic. We believe that having more customers, with more diverse needs, makes our business more resilient in the near term and ultimately leads to more competitive prices for all customers accessing and using our networks.

The Firstgas approach to asset management is guided by a suite of asset management documents and practices that ensure performance objectives, and the expectations of stakeholders are met. The approach incorporates:

- **Asset management framework:** ensures alignment between corporate objectives and day-to-day asset management activities. It covers the strategic plan, that guides the subsequent development of the asset management system, asset management policy, objectives and ultimately, our AMP documents.
- **Asset management system:** we link corporate objectives and stakeholder needs to specific asset management approaches through the asset management system. It aligns with the requirements of ISO 55001, the international standard for asset management, and seeks to reflect best practice.
- **Performance measures:** set out the overall asset management performance objectives and key performance indicators (KPIs) that Firstgas regularly monitor to ensure a safe and reliable gas distribution service is provided. Where appropriate, the targets have been developed to align with the definitions developed by the Commerce Commission for information disclosure.

Our AMP documentation captures the key elements of the above in a summarised form and explains the asset management strategy and approach to both internal and external stakeholders.

Further details on our asset management strategy can be found in Appendix C of the accompanying AMP appendices document[10].

2.3.1. Objectives for our gas distribution network

Throughout this AMP, we describe how we will achieve the following important objectives for our gas distribution network:

- **Safety commitment:** the safety of staff, service providers and the public is paramount.
- **Engaged stakeholders:** consult with stakeholders, particularly on planned investments, and inform stakeholders about the intentions to managing the gas distribution network. This requires Firstgas to provide clear descriptions of all assets, key strategies and objectives.
- **Performance accountability:** provide visibility to stakeholders on performance and information on the performance of the network.
- **Investment planning:** provide visibility of forecast network investment programmes and upcoming medium-term construction works, with a clear rationale as to why planned investments are the best way to meet service requirements.
- **Informed staff and contractors:** provide guidance and clarity on the asset management approach to our employees and service providers that ensures a common understanding and adequate resourcing.
- **Regulatory compliance:** ensure information disclosure obligations[11] set by the Commerce Commission are met.

10 The appendices document is available here
11 Gas Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024, available here

2.4. Stakeholder engagement

Firstgas acknowledges the importance of regular engagement with stakeholders and how that engagement has shaped decision making. Firstgas engages with retailers, stakeholders, and customers to ensure that the needs of all customers are met.

The importance of engaging with businesses and customers who rely on the consistent and safe delivery of gas to maintain their ongoing productivity and household needs is paramount. The focus is to engage with stakeholders on the following topics:

- Understanding customers' views and preferences for their energy supply and the transition to transporting renewable gases over the gas networks.
- Firstgas investment and asset management strategies and key operational decisions.
- Firstgas commercial and pricing decisions.
- Issues on regulatory and government policy processes.

The Firstgas land and planning team's stakeholder management is focusing on building and sustaining relationships, and where appropriate, partnerships with landowners, iwi, councils, developers, contractors, and other interested parties, for the protection of our assets and the community.

In the operation of any large organisation with numerous stakeholders and diverse interests, situations will inevitably arise where not all interests can be accommodated, or where conflicting interests exist. For example, different customers may place greater or lesser emphasis on price or quality.

From our perspective, situations of conflicting interests are best managed by:

- Clearly identifying and analysing stakeholder conflicts (existing or potential).
- Having a clear set of fundamental principles that help to guide a resolution. We are legally bound to make decisions that are consistent with operating codes (which include obligations relating to confidentiality) and we need to comply with the Gas Act 1992 and other relevant legislation.
- Seeking solutions that are consistent with the principles found in the codes and in relevant legislation or regulation.
- Communicating effectively with stakeholders so that all parties know where they stand.

In all instances of conflicting interests, we will strive to engage with stakeholders in a transparent manner to explain our decisions.

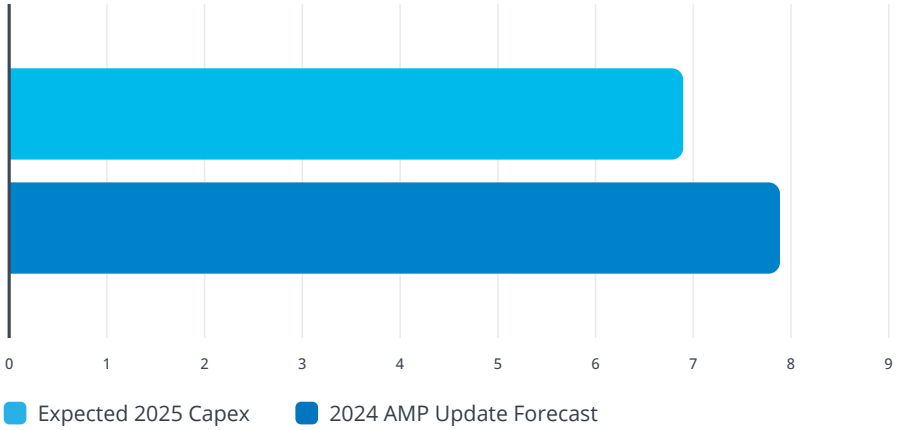
3. Year in review

This section provides an overview of Firstgas' major projects and initiatives over the past year ending 30 September 2025. It sets out how our FY25 expenditure compared with the equivalent forecast expenditure included in our 2024 AMP Update.

3.1. Capital expenditure summary

Firstgas remains focused on building and maintaining a safe and resilient network for customers. This focus is reflected in the work programme that was undertaken over the last 12 months.

Figure 3.1: Expected capex in FY25 versus forecast capex in the 2024 AMP Update

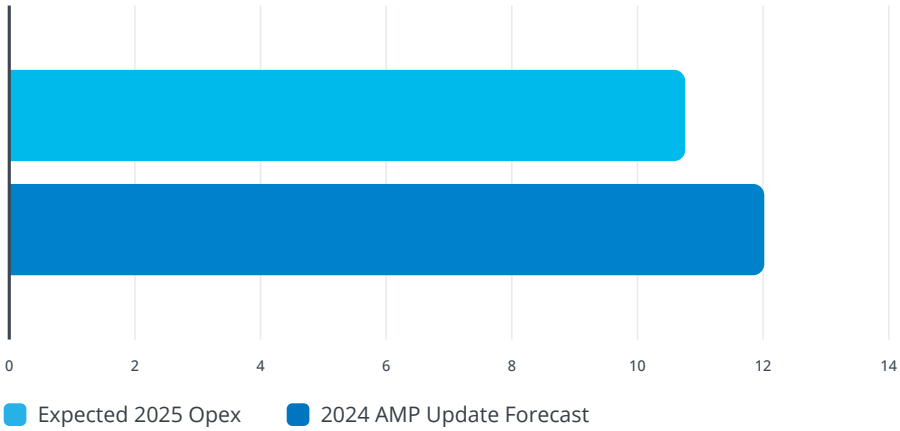


Expected FY25 capex is forecast to be lower than the forecast set out in our 2024 AMP Update. The lower expenditure is attributed to capital project optimisation, lower customer connections than forecast, and higher contributions.

3.2. Operating expenditure summary

Firstgas remains focused on building and maintaining a safe and resilient gas distribution network for customers. This focus is reflected in the work programme that was undertaken over the last 12 months.

Figure 3.2: Expected opex in FY25 versus forecast opex in our 2024 AMP Update



Opex in FY25 is expected to be approximately 10 per cent below our 2024 AMP Update forecast due to a number of factors. These included the following:

- network opex was broadly in line with forecasts,
- lower system operations and network support expenditure due to lower third party activity adjacent to our network,
- lower business support expenditure, in line with the wider Clarus group.

3.3. Significant activities undertaken in FY25

This section sets out a summary of the significant activities and capital works completed during FY25. It should be noted that some activities undertaken in FY25 may carry over into the coming FY26 year.

3.3.1. Hydrogen blending trial

Hydrogen is considered globally as a possible substitute for natural gas, though the transition requires significant changes in legislation, research, and understanding regarding hydrogen transportation and usage for both gas infrastructure providers and consumers. In 2021, we published the “New Zealand Hydrogen Pipeline Feasibility” study, outlining a hydrogen roadmap intended to support the legislative aim of achieving carbon neutrality by 2050.

Phase 1 of the roadmap involves a hydrogen blending trial, introducing up to 15% hydrogen into a gas distribution network. This trial, the first of its kind in New Zealand, is co-funded by our gas businesses and other gas distribution companies. The approach does not meet the requirements of the Gas Safety and Measurement Regulations 2010 or specification NZS 5442; however, we received exemptions from WorkSafe for the duration of the trial. A monitoring plan has been created and agreed upon with WorkSafe to supervise the trial.

Temporary equipment for hydrogen blending and the required safety measures were installed and commissioned. The blending trials began on 17 June and are ongoing. Hydrogen is being incrementally blended at the gas transmission Te Horo Delivery Point, starting at 3.5% and increasing to a maximum of 15%. Each increase is accompanied by detailed monitoring and verification checks. The trial is scheduled for completion in Q4 2025.

3.3.2. New strategy for pre-85 pipeline replacement

In FY25, the first camera inspection project was successfully completed in Hamilton, with a total of 1,657 metres of 50mm PE inspected. The inspection identified 26 squeeze-offs and 40 manual fusion butt joints. Remediation of these defects is scheduled for FY26. Following the successful outcome of this first project, an additional inspection project has been commissioned for completion in FY26. A high-level inspection schedule has been developed to assess all pre-1985 PE pipelines over the coming years.

Additionally, Ravetti flow stopping equipment was acquired. This equipment enables flow isolation in 50mm PE pipes without the need for squeeze-offs, allowing defects to be addressed without introducing further squeeze-offs into the network.

3.3.3. Monitoring and communications

Cello units serve as remote data loggers, enabling monitoring, recording, and transmission of distribution network data to our cloud. Currently, these devices operate on 2G/3G communications, which are scheduled for nationwide decommissioning by the end of 2025. Accordingly, a project was initiated at the start of FY25 to replace existing Cello units with 4G-compatible models. The new devices are being procured in multiple batches, with the final batch expected to arrive by the close of FY25. Installation of the upgraded Cellos will continue into FY26, with the objective of completing deployment by December 2025.

3.3.4. District regulator station upgrades

In FY25, significant progress was made on district regulator station (DRS) enhancements, with work completed on 16 DRS-related projects. These upgrades included the installation of easily accessible isolation valves, replacement of obsolete equipment, and the addition of vehicle impact protection measures.

3.4. Performance of the distribution network

A key premise for the AMP is that existing reliability, safety and supply quality levels will be maintained for the DPP4 period. Targets are set to help drive performance improvements and measure progress in delivering reliable, safe and high-quality service[12]. There has been strong performance from the distribution network for the last two years on meeting its key indicators ensuring safe and reliable supply of gas.

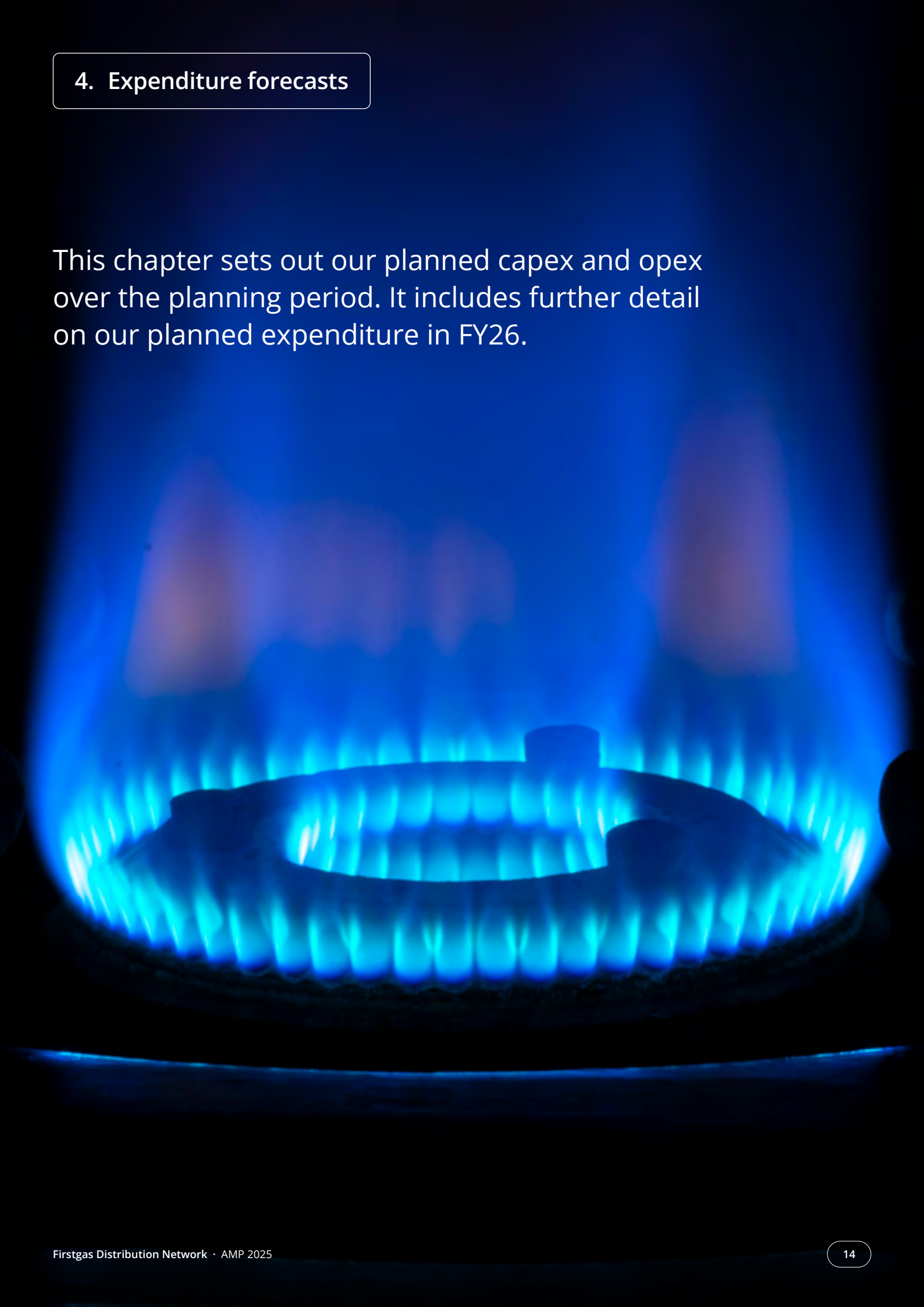
Table 3.1: Gas distribution network performance[13]

KEY PERFORMANCE INDICATOR	FY24	TARGET	PERFORMANCE
Response time to emergencies (within one hour)	86.67%	80%	Target met
Response time to emergencies (within three hours)	100%	100%	Target met

12 These performance measures are explained in Appendix C.
13 These measures are included as part of the DPP quality measures.

4. Expenditure forecasts

This chapter sets out our planned capex and opex over the planning period. It includes further detail on our planned expenditure in FY26.



4.1. Context for our forecasts

The forecasts presented in this chapter provide a consolidated view of our expenditure across our business. It provides commentary and context on our planned investments during the AMP planning period including key assumptions used in developing our forecasts.

Note on expenditure charts

The charts in this chapter depict budgeted expenditure (light blue column) for FY25 and our forecasts (blue columns) for the remainder of the AMP period. All expenditure figures are denominated in constant value terms using FY25 dollars.

Expenditure is presented according to our internal categories, which are aligned with the Commerce Commission's information disclosure categories. Further details are set out in schedules 11a and 11b, in Appendix B of the accompanying AMP appendices document[14].

We have begun work to assess the stranding risk associated with ongoing investment in the distribution network. This assessment is focused on understanding how investment decisions may affect the network's operability and long-term economic sustainability, particularly across the 2040, 2050, and 2060 timelines. The findings from this work will provide valuable insights that may impact future AMPs and expenditure, ensuring we continue to invest in key areas of the network and can rationalise ongoing investment where appropriate. This approach will support the continued efficient operation of the network and allow our investment strategies to adapt to emerging requirements, industry changes, and regulatory expectations.

14 The appendices document is available here

4.2. Capex forecast

This section sets out our planned capex over the AMP period. Consistent with information disclosure, our capex includes the following categories:

Consumer connection

Includes expenditure related to connecting new customers to our network.

System growth

Includes expenditure related to upgrading capacity on the distribution network.

Asset replacement and renewal

Capex to replace or refurbish existing assets on our distribution network.

Asset relocations

Includes the portion of the cost that Firstgas covers to relocate assets following customer requests.

Reliability, safety and environment

Investment in assets to address specific reliability, safety and environmental issues on the network.

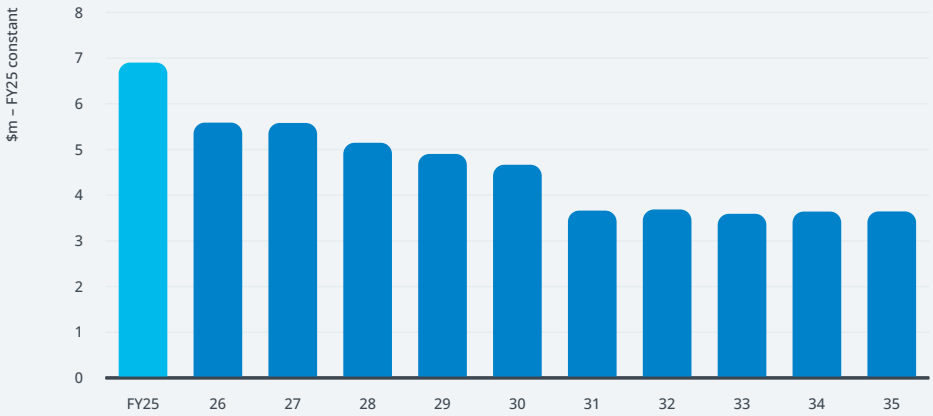
Non-network capex

Our investment in assets that support and enable our asset management activities.

Total forecast capex over the planning period is set out in Figure 4.1.

Our capex forecasts are largely driven by the pre-1985 polyethylene (PE) remediation programme, targeting high-risk pipeline sections. Recent inspections have identified compromised areas, and additional operating expenditure is proposed for locations where capital investment is not considered prudent.

Figure 4.1: Total forecast capex for the planning period (constant FY25)



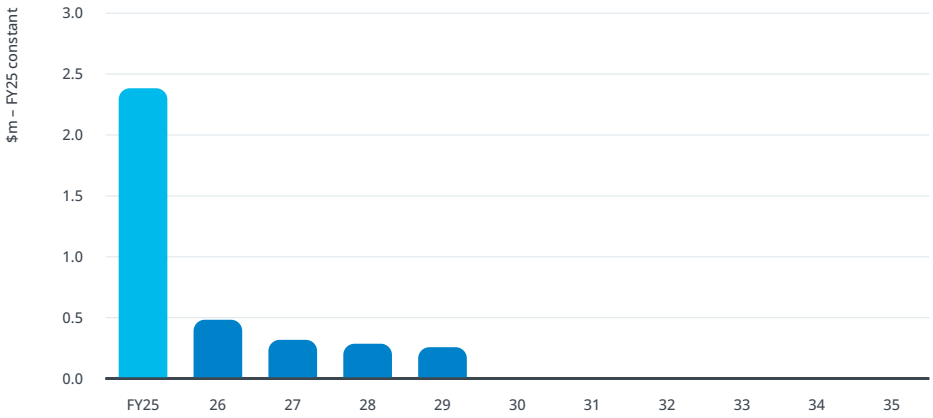
Projected expenditure for both consumer connections and system growth is expected to decline, reflecting changes in demand and policy. Anticipated modifications to the capital contribution policy during DPP4 are likely to further decrease the demand for new connections. Despite this trend, it is acknowledged that some consumers may still pursue gas connections based on their individual energy needs and preferences.

4.2.1. Consumer connection

Customer connections expenditure includes expenditure Firstgas incurs when connecting new customers to its network.

The forecast capex over the planning period is set out in Figure 4.2.

Figure 4.2: Customer connection capex (net) for the planning period (constant FY25)



Consumer connections forecast assumptions

We are projecting a 50% initial drop in consumer connection volumes from FY25 levels, with further declines expected due to weakening demand and planned changes to our capital contributions policy. We anticipate capital contributions will rise to 70–100% during DPP4 (pending policy changes). These assumptions shape our planning scenarios, aiming to limit stranded asset risk for the business and existing customers as the energy market shifts.

This decrease in connection activity reflects broader concerns around future consumer sentiment for gas and stranded asset risk. Declining demand could result in underutilised infrastructure and unrecovered investment.

We are currently reviewing our capital contributions policy and expect to make substantial changes from RY26. These changes will ensure new customers contribute more directly to the costs of connecting to the network, thereby protecting existing customers and the business from exposure to wider stranded asset risk being introduced to the network. The unpredictable nature of consumer preferences means that, despite higher contribution rates, some individuals and businesses may still choose to connect to gas if it aligns with their energy needs or offers them perceived advantages.

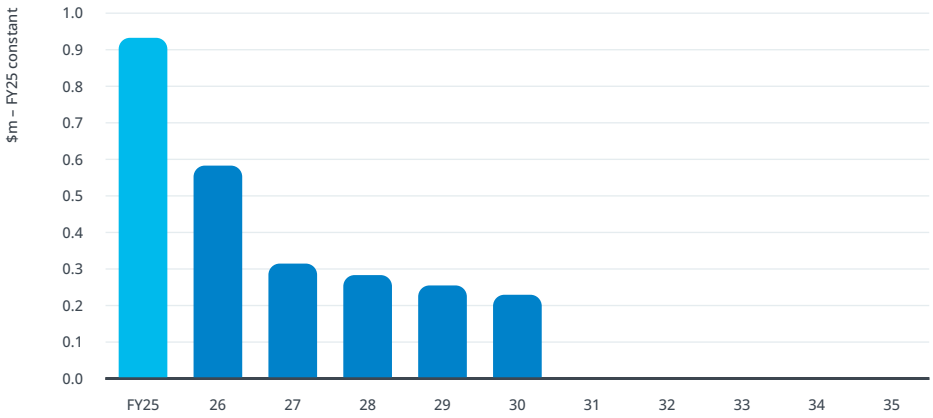
Based on the above factors, forecasting future connection rates remains challenging, requiring a balance between prudent investment, enabling consumer choice, and the flexibility to respond to evolving consumer behaviour and market trends.

4.2.2. System growth

System growth investments to develop our distribution network are primarily driven by demand growth and the changing behaviours and needs of our customers.

The forecast capex over the planning period is set out in Figure 4.3.

Figure 4.3: System growth capex (net) for the planning period (constant FY25)



System growth forecast assumptions

Like our consumer connections forecast, we are projecting an approximate 40% initial drop in net system growth capex from FY25 levels, with further declines expected, due to weakening demand and acceleration of our capital contributions policy. We anticipate capital contributions will rise to 70–100% during DPP4 (pending policy changes). These assumptions shape our planning scenarios, aiming to limit stranded asset risk for the business and existing customers as the energy market shifts.

This decrease in system growth activity mirrors broader uncertainties regarding future demand for gas distribution and the risks associated with stranded infrastructure. Declining uptake could result in underutilised assets and unrecovered capital investment. Our approach to system growth and subdivision reticulation is currently under review, and we expect to implement significant changes prior to and throughout DPP4. These changes will ensure that investment into new developments, particularly residential subdivisions are de-risked and contribute more equitably to the expansion and extension of the distribution network, thereby safeguarding existing customers and the business from increased exposure to stranded asset risk. The unpredictable nature of residential and commercial development means that, despite revised contribution structures or higher thresholds, some subdivisions may still proceed with gas reticulation if it aligns with the preferences of developers or meets specific local energy needs. As a result, forecasting future system growth rates remains complex, requiring a careful balance between prudent network investment, enabling consumer choice, and adapting to evolving market dynamics and consumer behaviours.

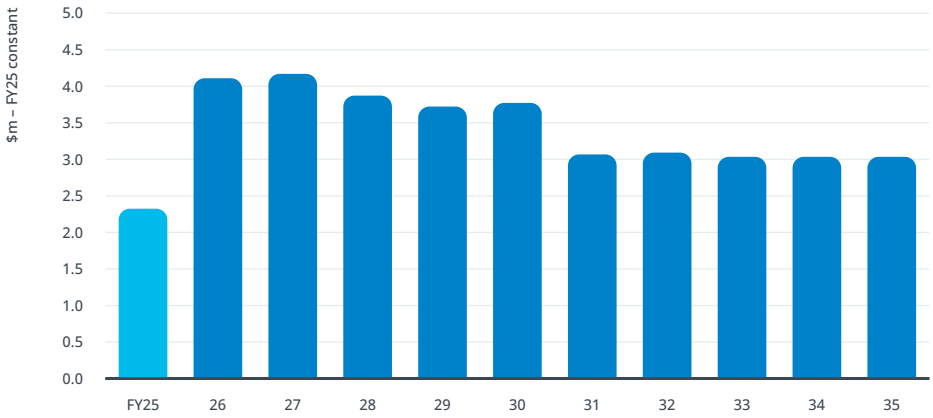
4.2.3. Asset replacement and renewal

Our renewals expenditure category includes expenditure to replace and refurbish our existing assets. This is our largest expenditure category, and we expect this to decline over the planning period as we adjust our asset strategies. Ageing assets require investment to maintain them at an appropriate level for expected safety and service levels. As assets age, there is increasing risk of asset failure. To mitigate this risk increased levels of investment, primarily capex, is typically required.

While technology and operational approaches can help manage risk and monitor issues to some extent, there will be instances where asset replacement becomes the most cost-effective and technically appropriate solution. In the case of assets like pipelines, wholesale replacement is usually not feasible and instead specific components are replaced or remediated to enable the rest of the network or pipeline life to be extended.

The forecast renewal capex over the planning period is set out in Figure 4.4.

Figure 4.4: Forecast renewal capex for the planning period (constant FY25)



Our renewal expenditure forecasts are primarily driven by the pre-1985 pipeline remediation programme and the ongoing need to address emergent leaks. To proactively manage the integrity of our older pipelines, we undertake internal camera inspections on pre-1985 assets, enabling us to identify and repair defects before leaks occur. In addition, our network is routinely surveyed using vehicles fitted with advanced leak detection equipment, which enhances our ability to quickly identify and respond to potential issues.

Asset renewal forecast assumptions

In developing our asset renewal assumptions, we are proceeding on the basis that the pre-1985 replacement strategy remains prudent, allowing critical risk areas to be addressed through targeted investment. Where certain network sections do not meet required capex criteria, increases in opex for pre-85 and class 3 leaks remediation will provide sufficient risk mitigation, ensuring ongoing safety and service reliability. This flexible approach enables us to respond proportionately across our network while upholding prudent asset management principles.

Pipes forecast

This expenditure is dedicated to the remediation and replacement of pipe infrastructure, ensuring the ongoing reliability and safety of our network.

The forecast renewal capex over the planning period is set out in Figure 4.5.

Figure 4.5: Forecast pipes renewal capex for the planning period (constant FY25)

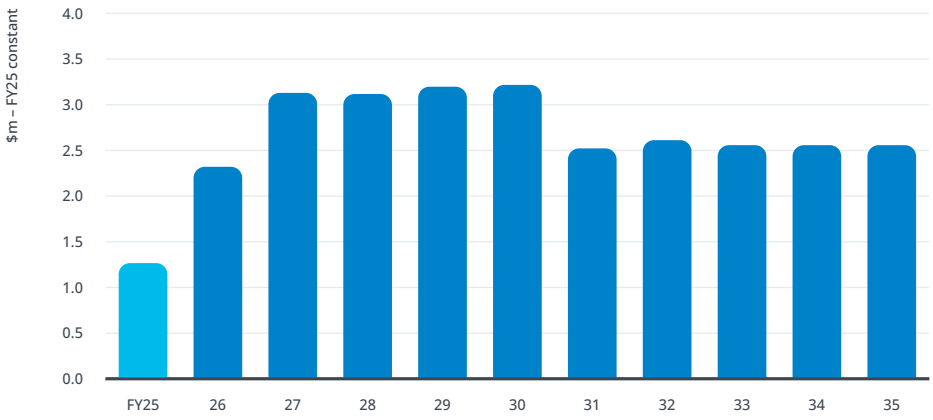


Table 4.1: Key pipes capital investments for the planning period

KEY AMP 25 PIPELINE PROJECTS	AMP 25 FORECAST ($'000)
Pre-85 replacement programme	9,000
Emergent leak remediation	16,000

Our forecast for pipe capital expenditure is primarily driven by the pre-1985 polyethylene (PE) replacement and emergent leak remediation programmes. The pre-1985 programme targets pipelines installed before 1985, focusing on those previously isolated using the "squeeze-off" method, which have a higher risk of leaks at isolation points. To address this risk, we have implemented a work programme involving pipeline inspections using internal cameras. A project completed in FY25 successfully identified compromised areas on the PE pipeline. Additionally, we expect an increase in opex for pre-85 pipeline remediation to mitigate risk, due to the nature of repairs required and the uneconomic investment in specific sections of our network, which may result from factors such as low customer connection density.

Our network is routinely surveyed using vehicles fitted with advanced leak detection equipment, which enhances our ability to quickly identify and respond to potential issues. It is important to note that not all leaks originate from asset defects; many are the result of third-party interference, which introduces additional challenges in maintaining network reliability.

As the risk of asset stranding increases, driven in part by rising customer disconnections and gas supply constraints, we will review our approach to leak remediation. This ongoing assessment will help determine whether this strategy remains appropriate in future years, ensuring that our investment decisions continue to balance risk, cost, and long-term financial sustainability.

Stations forecast

This expenditure is dedicated to the refurbishment and replacement of infrastructure related to our distribution regulator stations.

The forecast renewal capex over the planning period is set out in Figure 4.6.

Figure 4.6: Forecast stations renewal capex for the planning period (constant FY25)

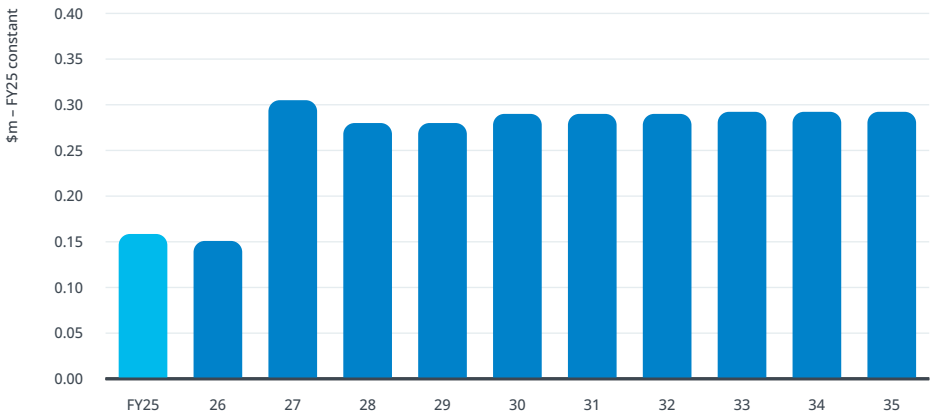
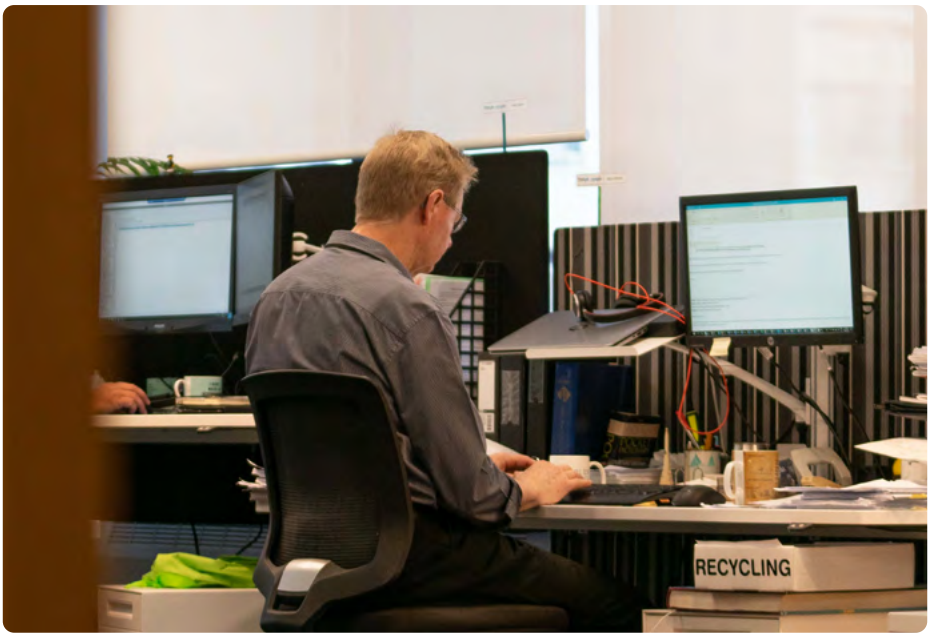


Table 4.2: Key station capital investments for the planning period

KEY AMP 25 STATIONS PROJECTS	AMP 25 FORECAST ($'000)
Replace obsolete station equipment and underground regulators	2,260



Forecast renewal capex for regulator stations over the planning period represents a significant and necessary investment. While aboveground equipment continues to face challenges due to the diminishing availability of spare parts, the situation is particularly critical for underground regulators. Production of the Cocon underground regulator has been discontinued by the manufacturer and soft spare parts will remain available for the next 10 years. As long-term maintenance is not feasible, full replacement of these will be required for specific areas of our network. This approach is needed to ensure that all regulator stations, above and below ground, remain reliable and capable of supporting safe and reliable service throughout the planning period.

Line valves forecast

This expenditure is dedicated to the refurbishment and replacement of line valves installed in our network.

The forecast renewal capex over the planning period is set out in Figure 4.7.

Figure 4.7: Forecast line valve renewal capex for the planning period (constant FY25)

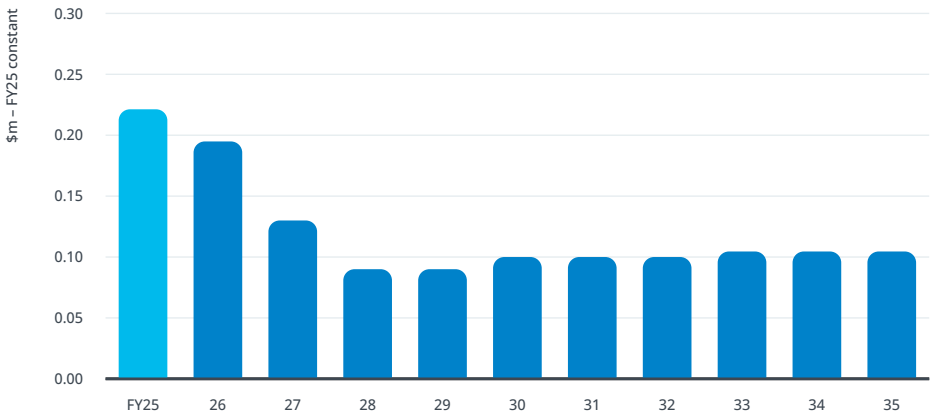


Table 4.3: Key line valve capital investments for the planning period

KEY AMP 25 LINE VALVE PROJECTS	AMP 25 FORECAST ($'000)
Line valve replacements	1,020

Line valves are typically replaced when maintenance can no longer ensure their operational integrity, such as in cases of persistent stem leaks or inadequate isolation. Currently, there are several valves across our network scheduled for replacement, with the expectation that additional units will be identified and require renewal throughout the planning period.

Special crossings forecast

This expenditure is dedicated to the refurbishment and replacement of infrastructure supporting pipelines crossing rivers, streams and other pipeline aerial crossings.

The forecast renewal capex over the planning period is set out in Figure 4.8.

Figure 4.8: Forecast special crossings renewal capex for the planning period (constant FY25)

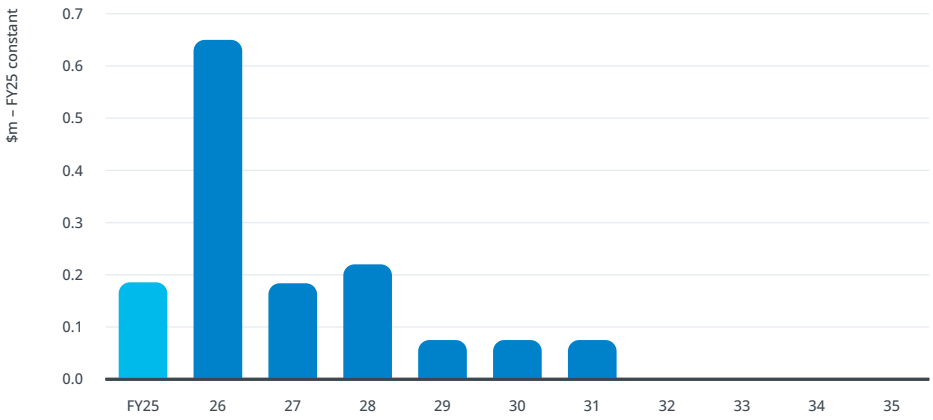


Table 4.4: Key special crossings capital investments for the planning period

KEY AMP 25 SPECIAL PROJECTS	AMP 25 FORECAST ($'000)
Gladstone road, Gisborne, refurbishment	300
Peel street, Gisborne, refurbishment	300
Huntly bridge crossing	350

Our pipelines frequently traverse rivers and streams by being affixed to council-owned bridges, making these structures critical to the integrity of our network. Currently, we undertake refurbishments as needed to maintain both the structural soundness and protective coatings of these crossings. Looking forward, we intend to reassess our existing asset strategy. This may result in a shift from capital refurbishment projects to a more cost-effective maintenance repair approach.

Other network assets forecast

This expenditure is dedicated to the refurbishment and replacement of specific equipment located on our distribution network.

Asset fleets for other network assets.

- Monitoring and control systems
- Cathodic Protection systems
- Other assets

The forecast renewal capex over the planning period is set out in Figure 4.9.

Figure 4.9: Forecast other network assets renewal capex for the planning period (FY25)

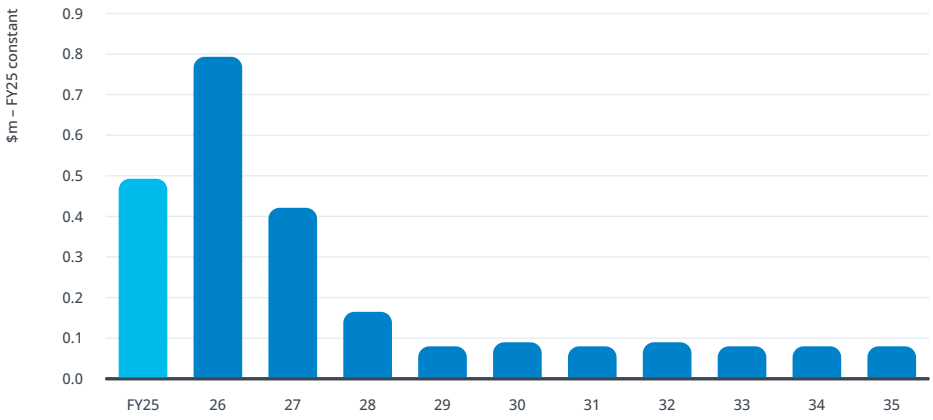


Table 4.5: Key other network assets capital investments for the planning period

KEY AMP 25 OTHER NETWORK PROJECTS	AMP 25 FORECAST ($'000)
Cello and communication replacements	500
Cathodic protection (CP) system lifecycle replacements	895

Monitoring and control systems

Our forecast is driven by the need to replace our onsite monitoring systems, as the current network communications infrastructure is becoming obsolete and needs to be upgraded to the latest communication standards. This investment ensures that our monitoring and control capabilities will remain robust, secure, and fit for purpose throughout the planning period.

Cathodic protection systems

We are forecasting the replacement of several cathodic protection systems as part of our asset lifecycle management. These replacements are crucial to preserve the integrity of our pipeline infrastructure and to mitigate the risk of corrosion-related failures.

Other assets

The forecast for other assets typically addresses minor remediation of public safety concerns, such as the installation of valve covers, locks, and barriers designed to prevent unauthorised public access to operational sites and infrastructure.

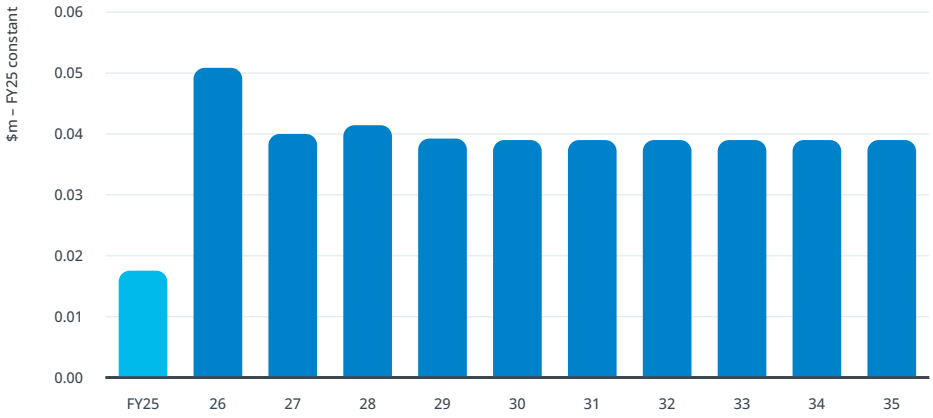
4.2.4. Asset relocations

Asset relocations spend includes the portion of the cost that we cover to relocate assets following third-party requests. By its nature, asset relocations expenditure is difficult to predict with certainty.

Existing services are relocated when required because of the activities of other utilities, authorities or customers, for example the installation of water mains or development of existing roading. Typically, asset relocation projects are predominantly funded through capital contributions by the third parties requesting the relocation.

The forecast capex over the planning period is set out in Figure 4.10.

Figure 4.10: Asset relocations capex (NET) for the planning period (constant FY25)

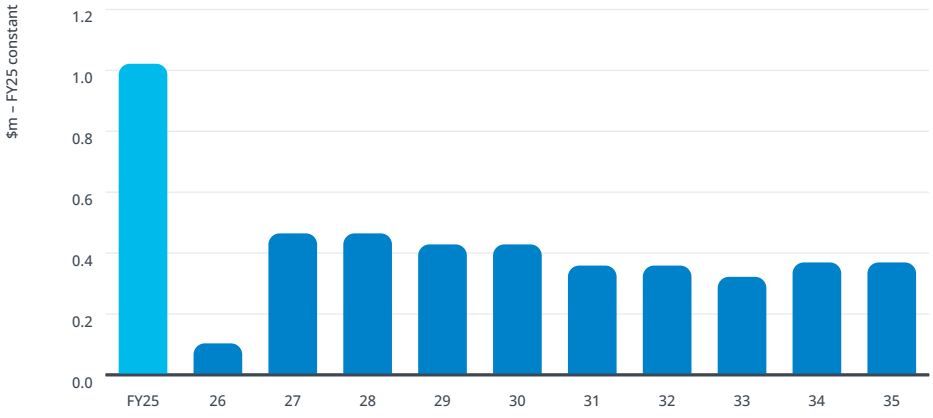


4.2.5. Reliability, safety and environment

Our reliability, safety and environment (RSE) expenditure category includes costs associated with enhancing or maintaining supply quality, asset modifications necessitated by legislative and regulatory changes, as well as expenditure aimed at addressing reliability, safety, and environmental risks.

The forecast capex over the planning period is set out in Figure 4.11.

Figure 4.11: RSE capex for the planning period (constant FY25)



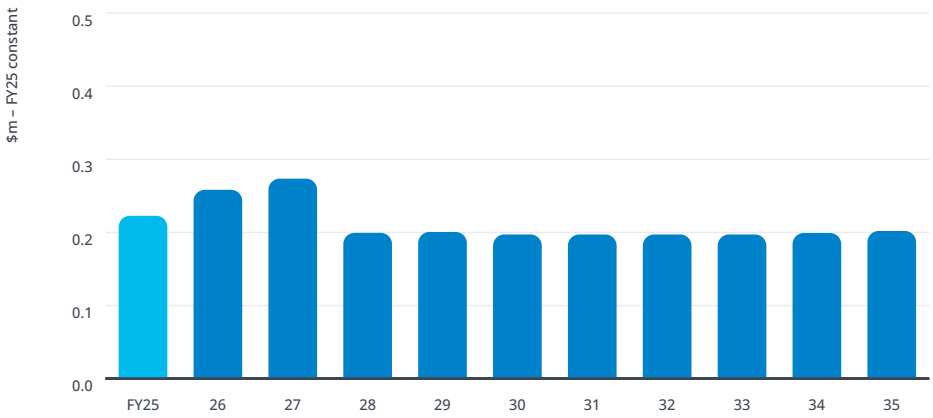
A significant portion of expenditure within this category is driven by the need to meet the latest standards, enabling safe isolations and addressing critical safety requirements, which we expect to continue throughout the period.

4.2.6. Non-network capex

Our non-network capex category includes expenditure on digital systems and other non-network assets that support the network and our asset management activities.

The forecast capex over the planning period is set out in Figure 4.12.

Figure 4.12: Non-network capex for the planning period (constant FY25)



Non-network capex includes the following main expenditure types:

- **Offices and facilities:** costs related to the relocation, refurbishment and development of office buildings and facilities.
- **Vehicles:** includes investments that maintain the motor vehicle fleet.
- **Information communication technology (ICT) assets:** costs of ongoing replacement of ICT systems, office equipment including workstations, laptops, mobile phones and peripheral devices.
- **Plant tools and equipment:** costs related to purchasing specialist tools and equipment for the maintenance and management of the distribution network.

A portion of total non-network capex is allocated to the gas distribution business in accordance with the cost allocation policy (discussed further in Appendix C of the accompanying AMP appendices document[15]).

15 The appendices document is available here

4.3. Opex forecast

This section sets out our planned opex over the AMP period. Consistent with Information Disclosure, our opex is managed under the following categories.

Service interruptions, incidents and emergencies

Is reactive maintenance expenditure incurred in response to outages and other incidents.

Routine and corrective maintenance and inspection

Includes corrective maintenance to maintain asset integrity and preventive maintenance, which includes inspections to compile condition information.

System operations and network support

Involves functions such as the ongoing supervision and monitoring of the network. It also covers activities including asset planning, load forecasting, network modelling, and engineering design.

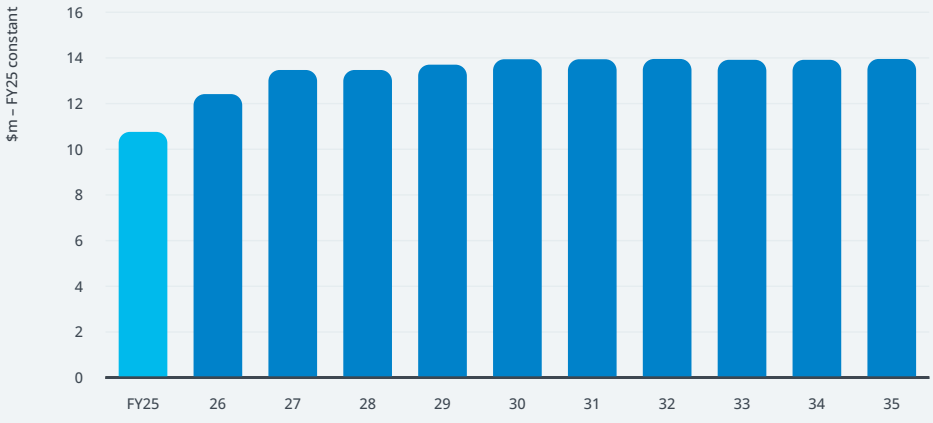
Business support

Relates to corporate support functions such as ICT, finance, procurement, and health and safety that enable asset management to function effectively.

The forecast opex over the planning period is set out in Figure 4.13.

Our forecast opex over the AMP period has been developed using a base-step-trend approach. Forecast expenditure from FY26 onwards includes several step changes as discussed in the following sections.

Figure 4.13: Total forecast opex for the planning period (constant FY25)

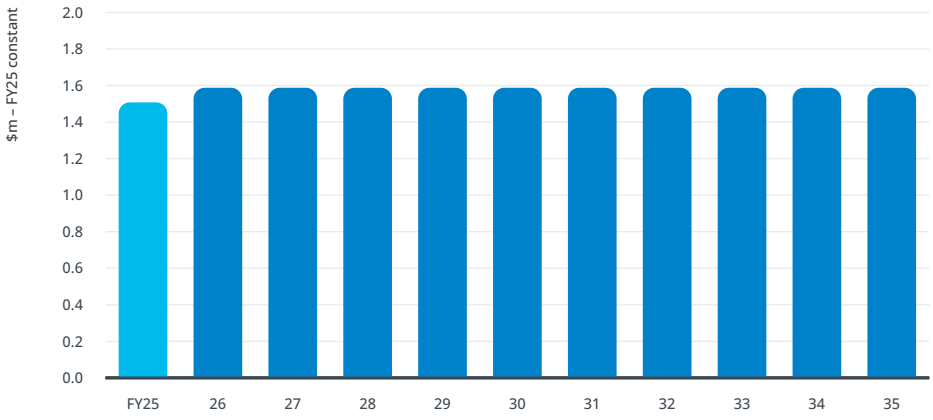


4.3.1. Service interruptions, incidents and emergencies (SIE)

Service interruptions and emergencies (SIE) opex includes expenditure incurred in response to unplanned outages and other incidents. This is reactive work with no advanced scheduling other than ensuring that there are sufficient resources on standby to respond to network faults.

The forecast opex over the planning period is set out in Figure 4.14.

Figure 4.14: SIE opex for the planning period (constant FY25)



Our forecast opex over the AMP period has been developed using a base-step-trend approach. We used FY24 as the base year as this was the latest available full year of actual expenditure. While we expect FY25 to be lower than this base amount, FY24 is better aligned with historical expenditure in this category.

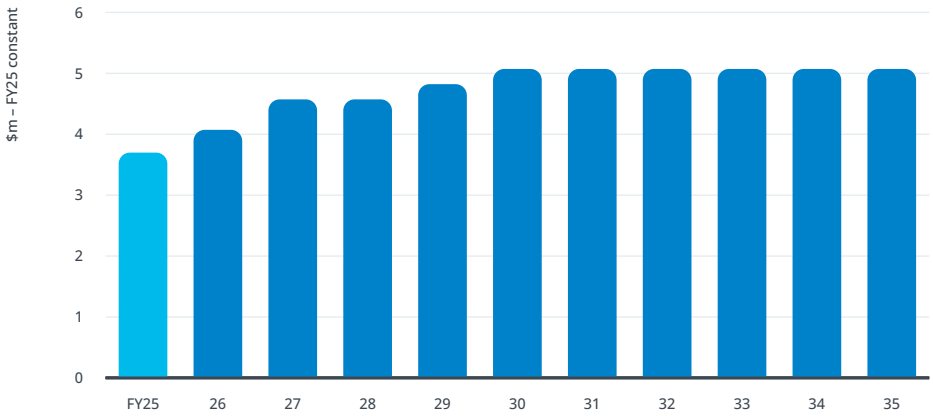
We have not added steps changes or trends to the forecast as we are confident that the level of this expenditure will not materially differ from historical levels.

4.3.2. Routine and corrective maintenance and inspection

Routine, corrective maintenance and inspections (RCMI) includes preventive maintenance activities. It is scheduled work, including servicing to maintain asset integrity, and inspections to compile condition information for subsequent analysis and planning. RCMI is a key input into our asset management decision-making

The forecast opex over the planning period is set out in Figure 4.15.

Figure 4.15: RCMI opex for the planning period (constant FY25)



Our forecast RCMI opex over the AMP period has been developed using a base-step-trend approach. We have used FY24 as the base year as this was the latest available full year of actual expenditure. Expenditure in FY24 is well aligned with recurrent, historical expenditure in this category.

Forecast adjustments

Building on the base year we have included step changes to reflect expected new activities and cost drivers during the period. The table to the right sets out the main adjustments over the AMP period. The forecast amounts reflect, approximate 10-year averages unless stated otherwise.

Table 4.6: Forecast RCMI opex adjustments

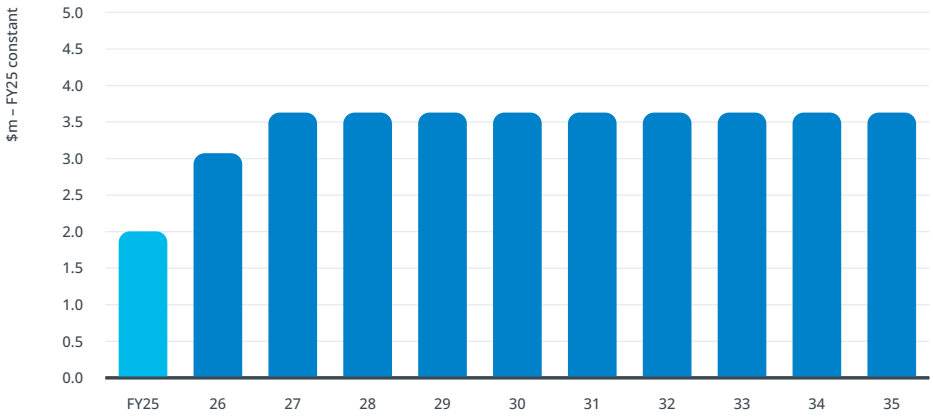
ADJUSTMENT	DESCRIPTION	AVERAGE
Pre-85 Pipe repairs	This is needed to support our pre-85 PE pipe replacement program, we must repair pipes that do not qualify for capital investment	775k

4.3.3. System operations and network support

System operations and network support (SONS) opex relates to expenditure on office-based system operations and includes functions such as customer queries and call centres, strategic pipe locations and contract cost management. It also covers activities including asset planning, load forecasting, network modelling, and engineering design.

The forecast opex over the planning period is set out in Figure 4.16.

Figure 4.16: SONS opex for the planning period (constant FY25)



Our forecast opex over the AMP period has been developed using a base-step-trend approach. We have used FY24 as the base year as this was the latest available full year of actual expenditure. We expect FY25 opex to be lower due to less third-party activity adjacent to our network. Expenditure in FY24 is better aligned with recurrent, historical expenditure in this category.

Forecast adjustments

Building on the base year we have included step changes to reflect expected new activities and cost drivers during the period. The table to the right sets out the main adjustments made to the underlying base expenditure. The forecast amounts reflect, approximate 10-year averages unless stated otherwise.

Table 4.7: Forecast opex adjustments

ADJUSTMENT	DESCRIPTION	AVERAGE
Improved forecasting and decommissioning studies	Planning for distribution network right-sizing, risk based forecasting, developing decommissioning and stakeholder engagement plans.	$245k
Investigate blended gases	Engineering and planning for the connection of blended gases into the network, determining locations and asset suitability.	$255k

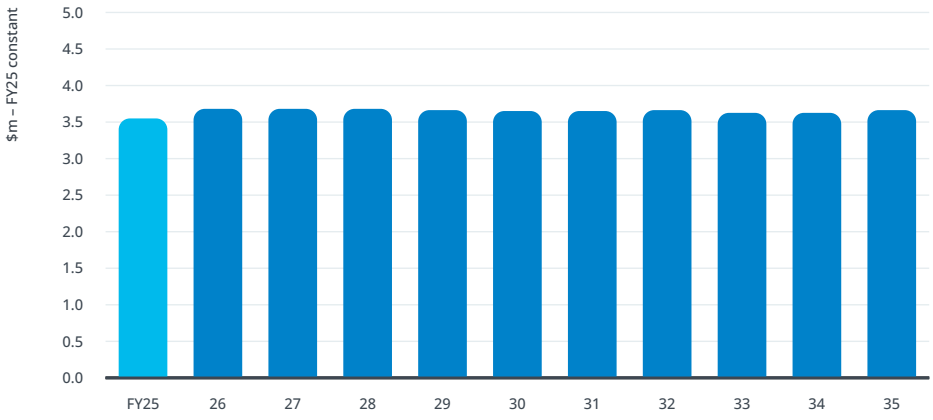
4.3.4. Business support

Business support opex relates to corporate and operational support functions such as ICT, finance, procurement, people and capability, and health and safety that enable asset management to function effectively. Other material items include office accommodation costs, legal and insurance costs.

A portion of total business support opex is allocated to the gas distribution business in accordance with the cost allocation policy (discussed further in Appendix C of the accompanying AMP appendices document[16]).

The forecast opex over the planning period is set out in Figure 4.17.

Figure 4.17: Business support opex for the planning period (constant FY25)



Our forecast for business support opex over the AMP period has been developed using a base-step-trend approach. We have used expected FY25 actuals as the base year as FY24 included a number of one-off expenditure items that we do not expect to recur during the AMP period. Expenditure in FY25 better reflects ongoing activity during the AMP period.

This expenditure is largely driven by direct staff costs. The other main elements are insurance, legal, audit and assurance fees (including to support regulatory compliance), office accommodation costs and travel costs. These investments in people are essential to operate as an effective company and to ensure that our workforce is appropriately skilled and qualified.

Business support includes ICT costs associated with operating the business. More specifically it covers software licensing, software support, data and hosting, and network running costs. These costs are driven from the need to support corporate and network operations with appropriate technology services. The software industry is moving to subscription 'pay-as-you-go' models due to cloud-delivered software and technologies. Key drivers of increasing ICT opex include:

- Software as a Service (SaaS) costs
- Increased technology capability including cybersecurity

Details on the included step changes are set out in Table 4.8.

16 The appendices document is available here

Forecast adjustments

Building on the base year we have included step changes to reflect expected new activities and cost drivers during the period. The table to the right sets out the main adjustments made to the underlying base expenditure. The forecast amounts reflect, approximate 10-year averages unless stated otherwise.

Table 4.8: Forecast opex adjustments

ADJUSTMENT	DESCRIPTION	AVERAGE
SaaS and cybersecurity uplifts	ICT expenditure to ensure our systems are secure against the growing threat of cyber attack. Capability improvements are required to improve our asset management information systems, field data capture and health and safety management.	$100k

Firstgas