



# Information disclosure for the gas distribution business

Year ending 30 September 2024



## Introduction

Firstgas is part of the Clarus group of companies which 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. Whether it's transmission, distribution, supply or storage of energy, the companies within the Clarus group service over half a million homes and businesses of all sizes around New Zealand.

Firstgas owns and operates more than 2,500 kms of high-pressure gas transmission pipelines and stations that supply natural gas from Taranaki to industrial consumers throughout the North Island. It also owns 4,800kms of gas distribution networks across parts of the North Island. Combined, Firstgas connects over 300,000 homes and businesses with natural gas through its gas transmission and distribution and high-pressure transmission systems. This essential infrastructure supports New Zealand's economy, so the group is committed to helping customers maximise value from it.

Flexgas provides energy storage services to electricity generators, offering an important source of flexibility to the electricity system and supporting high levels of intermittent wind, hydro and solar generation.

Rockgas is New Zealand's largest LPG retail supplier, providing fast and reliable service through a national network of branches and franchises.

Firstlight Network is the lines company supplying electricity to the Tairāwhiti and Wairoa region, responsible for keeping the lights on across 12,000 square kilometres of the East Coast.

We are also investing in innovative renewable energy solutions such as biomethane and hydrogen, to help New Zealand reach its net zero carbon goals by 2050. Our First Renewables business is leading this work, alongside other options that will bring renewable energy to New Zealand homes, businesses and energy-intensive industries in the future.

Clarus was previously known as Firstgas Group.

## Information disclosure

This document contains Firstgas' annual information disclosure for the gas distribution business, for the year ending on 30 September 2024, as required by the *Gas Distribution Information Disclosure Determination 2012* consolidating all amendments as of 3 April 2018 ("the Determination") issued by the Commerce Commission.

The following documents are provided with this compliance statement:

- Schedules 1-10: Financial and technical schedules
- Schedules 14-15: Mandatory and voluntary explanatory notes, including information on related party transactions
- Schedule 19: Director Certification
- PwC assurance report

This information disclosure was prepared on 18 February 2025.

## Further information

For further information regarding this compliance statement, please contact:

Regulatory Policy Manager  
First Gas Limited  
[compliance@firstgas.co.nz](mailto:compliance@firstgas.co.nz)

**Disclaimer**

For presentation purposes, some numbers in the information disclosure schedules have been rounded. This may cause small discrepancies or rounding inconsistencies when aggregating some of the information presented in the information disclosure schedules. These discrepancies do not affect the overall compliance calculations which are based on the more detailed information.



**GDB Information Disclosure Requirements  
Information Templates  
for  
Schedules 1–10**

Company Name	First Gas Limited (Distribution)
Disclosure Date	31 March 2025
Disclosure Year (year ended)	30 September 2024

Templates for Schedules 1–10 excluding 5f–5g  
Template Version 4.1. Prepared 21 December 2017

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### **Disclosure Template Instructions**

These templates have been prepared for use by GDBs when making disclosures under subclauses 2.3.1, 2.4.21, 2.4.22, 2.5.1, and 2.5.2 of the Gas Distribution Information Disclosure Determination 2012.

#### ***Company Name and Dates***

To prepare the templates for disclosure, the supplier's company name should be entered in cell C8, the date of the last day of the current (disclosure) year should be entered in cell C12, and the date on which the information is disclosed should be entered in cell C10 of the CoverSheet worksheet.

The cell C12 entry (current year) is used to calculate disclosure years in the column headings that show above some of the tables and in labels adjacent to some entry cells. It is also used to calculate the 'For year ended' date in the template title blocks (the title blocks are the light green shaded areas at the top of each template).

The cell C8 entry (company name) is used in the template title blocks.

Dates should be entered in day/month/year order (Example -"1 April 2013").

#### ***Data Entry Cells and Calculated Cells***

Data entered into this workbook may be entered only into the data entry cells. Data entry cells are the bordered, unshaded areas (white cells) in each template. Under no circumstances should data be entered into the workbook outside a data entry cell.

In some cases, where the information for disclosure is able to be ascertained from disclosures elsewhere in the workbook, such information is disclosed in a calculated cell.

#### ***Validation Settings on Data Entry Cells***

To maintain a consistency of format and to help guard against errors in data entry, some data entry cells test keyboard entries for validity and accept only a limited range of values. For example, entries may be limited to a list of category names, to values between 0% and 100%, or either a numeric entry or the text entry "N/A". Where this occurs, a validation message will appear when data is being entered. These checks are applied to keyboard entries only and not, for example, to entries made using Excel's copy and paste facility.

#### ***Conditional Formatting Settings on Data Entry Cells***

Schedule 2 cells G79 and I79:L79 will change colour if the total cashflows do not equal the corresponding values in table 2(ii).

Schedule 4 cells P99:P105 and P107 will change colour if the RAB values do not equal the corresponding values in table 4(ii).

Schedule 9b columns AA to AE (2013 to 2017) contain conditional formatting. The data entry cells for future years are hidden (are changed from white to yellow).

Schedule 9b cells AG10 to AG37 will change colour if the total assets at year end for each asset class does not equal the corresponding values in column I in Schedule 9a.

Schedule 9c cell F22 will change colour if F22 (system length by operating pressure) does not equal F16 (system length by material).

#### ***Inserting Additional Rows and Columns***

The templates for schedules 4, 5b, 5c, 5d, 5e, 5i, 6a, 8, 9c, 9d, 10a and 10b may require additional rows to be inserted in tables marked 'include additional rows if needed' or similar. Column A schedule references should not be entered in additional rows, and should be deleted from additional rows that are created by copying and pasting rows that have schedule references.

Additional rows in schedules 5c, 6a, 9c and 9d must not be inserted directly above the first row or below the last row of a table. This is to ensure that entries made in the new row are included in the totals.

Schedules 5d and 5e may require new cost or asset category rows to be inserted in allocation change tables 5d(iii) and 5e(ii). Accordingly, cell protection has been removed from row 72 of schedule 5d and row 71 of schedule 5e to allow blocks of rows to be copied. The four steps to add new cost category rows to table 5d(iii) are: Select Excel rows 64:72 of the relevant template, copy, select Excel row 73, then insert copied cells. Similarly, for table 5e(ii): Select Excel rows 63:71 of the relevant template, copy, select Excel row 72, then insert copied cells.

The template for schedule 8 may require additional columns to be inserted between column M and Q. To avoid interfering with the title block entries, these should be inserted to the left of column N. If inserting additional columns, the formulas for standard consumers total, non-standard consumers totals and total for all consumers will need to be copied into the cells of the added columns. The formulas can be found in the equivalent cells of the existing columns.

***Disclosures by Sub-Network***

Schedules 8, 9a, 9b, 9c, 9d, 10a and 10b must be completed for the network and for each sub-network. A copy of the schedule worksheet(s) must be made for each subnetwork and named accordingly.

***Schedule References***

The references labelled 'sch ref' in the leftmost column of each template are consistent with the row references in the Gas Distribution ID Determination 2012 (as issued on 21 December 2017). They provide a common reference between the rows in the determination and the template.

***Description of Calculation References***

Calculation cell formulas contain links to other cells within the same template or elsewhere in the workbook. Key cell references are described in a column to the right of each template. These descriptions are provided to assist data entry. Cell references refer to the row of the template and not the schedule reference.

***Worksheet Completion Sequence***

Calculation cells may show an incorrect value until precedent cell entries have been completed. Data entry may be assisted by completing the schedules in the following order:

1. Coversheet
2. Schedules 5a–5e
3. Schedules 6a–6b
4. Schedule 8
5. Schedule 3
6. Schedule 4
7. Schedule 2
8. Schedule 7
9. Schedules 9a–9d
10. Schedules 10a and 10b



Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 1: ANALYTICAL RATIOS**

This schedule calculates expenditure, revenue and service ratios from the information disclosed. The disclosed ratios may vary for reasons that are company specific and, as a result, must be interpreted with care. The Commerce Commission will publish a summary and analysis of information disclosed in accordance with the ID determination. This will include information disclosed in accordance with this and other schedules, and information disclosed under the other requirements of the determination.

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

1(i): Expenditure Metrics		Expenditure per TJ energy delivered to ICPs (\$/TJ)	Expenditure per average no. of ICPs (\$/ICP)	Ratio of expenditure to maximum monthly load (\$ per GJ/month)	Expenditure per km of pipeline for supply (\$/km)
Operational expenditure		1,423	183	14	2,499
Network		626	81	6	1,099
Non-network		797	103	8	1,400
Expenditure on assets		848	109	8	1,490
Network		826	106	8	1,450
Non-network		23	3	0	40

1(ii): Revenue Metrics		Revenue per TJ energy delivered to ICPs (\$/TJ)	Revenue per average no. of ICPs (\$/ICP)
Total line charge revenue		3,968	511
Standard consumer line charge revenue		7,540	486
Non-standard consumer line charge revenue		399	92,134

1(iii): Service Intensity Measures			
Demand density		179	Maximum monthly load (GJ per month) per system length
Volume density		2	Quantity of gas delivered per km of system length (TJ/km)
Connection point density		14	Average number of ICPs in disclosure year per system length
Energy intensity		129	Total GJ delivered to ICPs per average number of ICPs in disclosure year

1(iv): Composition of Revenue Requirement		(\$000)	% of revenue
Operational expenditure		12,483	35.38%
Pass-through and recoverable costs excluding financial incentives and wash-ups		924	2.62%
Total depreciation		11,967	33.92%
Total revaluations		4,692	13.30%
Regulatory tax allowance		2,438	6.91%
Regulatory profit/(loss) including financial incentives and wash-ups		11,860	33.61%
<b>Total regulatory income</b>		<b>35,284</b>	

1(v): Reliability			
Interruption rate		6.35	Interruptions per 100km of system length

Company Name	<b>First Gas Limited (Distribution)</b>
For Year Ended	<b>30 September 2024</b>

**SCHEDULE 2: REPORT ON RETURN ON INVESTMENT**

This schedule requires information on the Return on Investment (ROI) for the GDB relative to the Commerce Commission's estimates of post tax WACC and vanilla WACC. GDBs must calculate their ROI based on a monthly basis if required by clause 2.3.3 of the ID Determination or if they elect to. If a GDB makes this election, information supporting this calculation must be provided in 2(iii).

GDBs must provide explanatory comment on their ROI in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

2(i): Return on Investment		for year ended		
		CY-2 30 Sep 22 %	CY-1 30 Sep 23 %	Current Year CY 30 Sep 24 %
7	<b>2(i): Return on Investment</b>			
9	<b>ROI – comparable to a post tax WACC</b>			
10	Reflecting all revenue earned	10.34%	7.25%	5.02%
11	Excluding revenue earned from financial incentives	10.34%	7.25%	5.02%
12	Excluding revenue earned from financial incentives and wash-ups	10.30%	7.25%	5.02%
14	<b>Mid-point estimate of post tax WACC</b>			
15	25th percentile estimate	3.60%	5.48%	6.42%
16	75th percentile estimate	5.01%	6.90%	7.84%
19	<b>ROI – comparable to a vanilla WACC</b>			
20	Reflecting all revenue earned	10.70%	7.88%	5.81%
21	Excluding revenue earned from financial incentives	10.70%	7.88%	5.81%
22	Excluding revenue earned from financial incentives and wash-ups	10.67%	7.88%	5.81%
24	<b>WACC rate used to set regulatory price path</b>	6.41%	6.14%	6.14%
26	<b>Mid-point estimate of vanilla WACC</b>	4.67%	6.82%	7.91%
27	25th percentile estimate	3.96%	6.11%	7.21%
28	75th percentile estimate	5.38%	7.53%	8.62%
30	<b>2(ii): Information Supporting the ROI</b>	(\$000)		
32	Total opening RAB value	217,967		
33	plus Opening deferred tax	(11,848)		
34	<b>Opening RIV</b>		206,119	
36	<b>Line charge revenue</b>		34,813	
38	Expenses cash outflow	13,407		
39	plus Assets commissioned	9,513		
40	less Asset disposals	1		
41	plus Tax payments	1,910		
42	less Other regulated income	470		
43	<b>Mid-year net cash flows</b>		24,359	
45	<b>Term credit spread differential allowance</b>		303	
47	Total closing RAB value	220,056		
48	less Adjustment resulting from asset allocation	(148)		
49	less Lost and found assets adjustment	-		
50	plus Closing deferred tax	(12,376)		
51	<b>Closing RIV</b>		207,828	
53	<b>ROI – comparable to a vanilla WACC</b>			5.81%
55	Leverage (%)			42%
56	Cost of debt assumption (%)			6.69%
57	Corporate tax rate (%)			28%
59	<b>ROI – comparable to a post tax WACC</b>			5.02%



Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 2: REPORT ON RETURN ON INVESTMENT**

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GDBs must provide explanatory comment on their ROI in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

**2(iii): Information Supporting the Monthly ROI**

Opening RIV N/A

	(\$000)					
	Line charge revenue	Expenses cash outflow	Assets commissioned	Asset disposals	Other regulated income	Monthly net cash outflows
Month 1						-
Month 2						-
Month 3						-
Month 4						-
Month 5						-
Month 6						-
Month 7						-
Month 8						-
Month 9						-
Month 10						-
Month 11						-
Month 12						-
<b>Total</b>	-	-	-	-	-	-

Tax Payments N/A

Term credit spread differential allowance N/A

Closing RIV N/A

Monthly ROI – comparable to a vanilla WACC N/A

Monthly ROI – comparable to a post tax WACC N/A

**2(iv): Year-End ROI Rates for Comparison Purposes**

Year-end ROI – comparable to a vanilla WACC 5.62%

Year-end ROI – comparable to a post tax WACC 4.83%

*\* these year-end ROI values are comparable to the ROI reported in pre 2012 disclosures by GDBs and do not represent the Commission's current view on ROI.*

**2(v): Financial Incentives and Wash-Ups**

Financial incentives

Impact of financial incentives on ROI -

Input methodology claw-back	
CPP application recoverable costs	
Catastrophic event allowance	
Capex wash-up adjustment	7
Other wash-ups	

Wash-up costs 7

Impact of wash-up costs on ROIs 0.00%

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 3: REPORT ON REGULATORY PROFIT**

This schedule requires information on the calculation of regulatory profit for the GDB for the disclosure year. GDBs must complete all sections and must provide explanatory comment on their regulatory profit in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7	<b>3(i): Regulatory Profit</b>		(\$000)
8	<b>Income</b>		
9	Line charge revenue	34,813	
10	plus Gains / (losses) on asset disposals	1	
11	plus Other regulated income (other than gains / (losses) on asset disposals)	469	
12			
13	<b>Total regulatory income</b>	<b>35,284</b>	
14	<b>Expenses</b>		
15	less Operational expenditure	12,483	
16			
17	less Pass-through and recoverable costs excluding financial incentives and wash-ups	924	
18			
19	<b>Operating surplus / (deficit)</b>	<b>21,877</b>	
20			
21	less Total depreciation	11,967	
22			
23	plus Total revaluations	4,692	
24			
25	<b>Regulatory profit / (loss) before tax</b>	<b>14,601</b>	
26			
27	less Term credit spread differential allowance	303	
28			
29	less Regulatory tax allowance	2,438	
30			
31	<b>Regulatory profit/(loss) including financial incentives and wash-ups</b>	<b>11,860</b>	
32			
33	<b>3(ii): Pass-through and recoverable costs excluding financial incentives and wash-ups</b>		(\$000)
34	<b>Pass through costs</b>		
35	Rates	659	
36	Commerce Act levies	241	
37	Industry Levies	23	
38	CPP specified pass through costs		
39	<b>Recoverable costs excluding financial incentives and wash-ups</b>		
40	Urgent project allowance		
41	Other recoverable costs excluding financial incentives and wash-ups		
42	<b>Pass-through and recoverable costs excluding financial incentives and wash-ups</b>	<b>924</b>	
43			
44			
45			
46	<b>3(iv): Merger and Acquisition Expenditure</b>		
47			(\$000)
48	Merger and acquisition expenditure	-	
49			
50	<i>Provide commentary on the benefits of merger and acquisition expenditure to the gas distribution business, including required disclosures in accordance with section 2.7, in Schedule 14 (Mandatory Explanatory Notes)</i>		
51			(\$000)
52	<b>3(v): Other Disclosures</b>		
53			(\$000)
54	Self-insurance allowance	-	

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)**

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. GDBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

4(i): Regulatory Asset Base Value (Rolled Forward)		for year ended				
		RAB 30 Sep 20 (\$000)	RAB 30 Sep 21 (\$000)	RAB 30 Sep 22 (\$000)	RAB 30 Sep 23 (\$000)	RAB 30 Sep 24 (\$000)
	Total opening RAB value	164,081	174,405	181,908	209,596	217,967
less	Total depreciation	6,609	6,273	6,539	11,588	11,967
plus	Total revaluations	2,368	8,590	13,153	11,839	4,692
plus	Assets commissioned	14,566	5,438	21,191	7,997	9,513
less	Asset disposals	-	119	-	2	1
plus	Lost and found assets adjustment	-	-	-	-	-
plus	Adjustment resulting from asset allocation	-	(133)	(117)	125	(148)
	<b>Total closing RAB value</b>	<b>174,405</b>	<b>181,908</b>	<b>209,596</b>	<b>217,967</b>	<b>220,056</b>

4(ii): Unallocated Regulatory Asset Base		Unallocated RAB *		RAB	
		(\$000)	(\$000)	(\$000)	(\$000)
	Total opening RAB value		231,633		217,967
less	Total depreciation		14,808		11,967
plus	Total revaluations		4,970		4,692
plus	Assets commissioned (other than below)	977		59	
	Assets acquired from a regulated supplier				
	Assets acquired from a related party	9,454		9,454	
	<b>Assets commissioned</b>		<b>10,431</b>		<b>9,513</b>
less	Asset disposals (other than below)	11		1	
	Asset disposals to a regulated supplier	-		-	
	Asset disposals to a related party	-		-	
	<b>Asset disposals</b>		<b>11</b>		<b>1</b>
plus	Lost and found assets adjustment				
plus	Adjustment resulting from asset allocation				(148)
	<b>Total closing RAB value</b>		<b>232,215</b>		<b>220,056</b>

\* The 'unallocated RAB' is the total value of those assets used wholly or partially to provide gas distribution services without any allowance being made for the allocation of costs to services provided by the supplier that are not gas distribution services. The RAB value represents the value of these assets after applying this cost allocation. Neither value includes works under construction.



Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)**

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. GDBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

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**4(iii): Calculation of Revaluation Rate and Revaluation of Assets**

CPI <sub>t</sub>	1,280
CPI <sub>t-4</sub>	1,253
Revaluation rate (%)	2.15%

	Unallocated RAB *		RAB	
	(\$000)	(\$000)	(\$000)	(\$000)
Total opening RAB value	231,633		217,967	
less Opening value of fully depreciated, disposed and lost assets	996		240	
Total opening RAB value subject to revaluation	230,637		217,727	
<b>Total revaluations</b>		<b>4,970</b>		<b>4,692</b>

**4(iv): Roll Forward of Works Under Construction**

	Unallocated works under construction		Allocated works under construction	
Works under construction—preceding disclosure year		4,169		3,879
plus Capital expenditure	7,630		6,677	
less Assets commissioned	10,431		9,513	
plus Adjustment resulting from asset allocation			-	
<b>Works under construction - current disclosure year</b>		<b>1,367</b>		<b>1,043</b>
Highest rate of capitalised finance applied				5.50%

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)**

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sch ref

		Unallocated RAB		RAB	
		(\$000)	(\$000)	(\$000)	(\$000)
76	<b>4(v): Regulatory Depreciation</b>				
77					
78					
79	Depreciation - standard	11,555		11,555	
80	Depreciation - no standard life assets	3,253		412	
81	Depreciation - modified life assets				
82	Depreciation - alternative depreciation in accordance with CPP				
83	<b>Total depreciation</b>		14,808		11,967

(\$000 unless otherwise specified)

Asset or assets with changes to depreciation		Reason for non-standard depreciation (text entry)	Depreciation charge for the period (RAB)	Closing RAB value	Closing RAB value
				under 'non-standard' depreciation	under 'standard' depreciation
86					
87					
88					
89					
90					
91					
92					
93					
94					

\* Include additional rows if needed

		(\$000 unless otherwise specified)									
		Intermediate pressure main pipelines	Medium pressure main pipelines	Low pressure main pipelines	Service pipe	Stations	Line valve	Special crossings	Other network assets	Non-network assets	Total
98	<b>Total opening RAB value</b>	23,358	121,711	2,181	52,889	7,154	2,161	3,327	3,504	1,683	217,967
99	less Total depreciation	1,105	6,525	87	2,796	455	75	273	391	261	11,967
100	plus Total revaluations	503	2,623	47	1,139	154	47	72	72	35	4,692
101	plus Assets commissioned	47	3,351	25	4,135	288	489	-	1,118	60	9,513
102	less Asset disposals	-	-	-	-	-	-	-	-	1	1
103	plus Lost and found assets adjustment	-	-	-	-	-	-	-	-	-	-
104	plus Adjustment resulting from asset allocation	-	-	-	-	-	-	-	-	(148)	(148)
105	plus Asset category transfers	-	-	-	-	-	-	-	-	-	-
106	<b>Total closing RAB value</b>	22,804	121,160	2,166	55,367	7,141	2,622	3,126	4,303	1,368	220,056
107											
108	<b>Asset Life</b>										
109	Weighted average remaining asset life	26.0	23.6	29.0	29.3	15.9	31.5	13.6	14.5	8.6	(years)
110	Weighted average expected total asset life	44.1	37.9	37.7	38.5	22.1	37.2	37.7	23.5	18.5	(years)
111											

Company Name **First Gas Limited (Distribution)**

For Year Ended **30 September 2024**

**SCHEDULE 5a: REPORT ON REGULATORY TAX ALLOWANCE**

This schedule requires information on the calculation of the regulatory tax allowance. This information is used to calculate regulatory profit/loss in Schedule 3 (regulatory profit). GDBs must provide explanatory commentary on the information disclosed in this schedule, in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 70

sch ref

		(\$000)
7	<b>5a(i): Regulatory Tax Allowance</b>	
8	<b>Regulatory profit / (loss) before tax</b>	14,601
9		
10	<i>plus</i> Income not included in regulatory profit / (loss) before tax but taxable	-
11	Expenditure or loss in regulatory profit / (loss) before tax but not deductible	49
12	Amortisation of initial differences in asset values	1,683
13	Amortisation of revaluations	2,922
14		4,653
15		
16	<i>less</i> Total revaluations	4,692
17	Income included in regulatory profit / (loss) before tax but not taxable	-
18	Expenditure or loss deductible but not in regulatory profit / (loss) before tax	(45)
19	Notional deductible interest	5,900
20		10,547
21		
22	<b>Regulatory taxable income</b>	8,708
23		
24	<i>less</i> Utilised tax losses	-
25	Regulatory net taxable income	8,708
26		
27	Corporate tax rate (%)	28%
28	<b>Regulatory tax allowance</b>	2,438

\* Workings to be provided in Schedule 14

**5a(ii): Disclosure of Permanent Differences**

In Schedule 14, Box 5, provide descriptions and workings of items recorded in the asterisked categories in Schedule 5a(i).

		(\$000)
34	<b>5a(iii): Amortisation of Initial Difference in Asset Values</b>	
35		
36	Opening unamortised initial differences in asset values	48,796
37	<i>less</i> Amortisation of initial differences in asset values	1,683
38	<i>plus</i> Adjustment for unamortised initial differences in assets acquired	-
39	<i>less</i> Adjustment for unamortised initial differences in assets disposed	-
40	Closing unamortised initial differences in asset values	47,114
41		
42	Opening weighted average remaining useful life of relevant assets (years)	29
43		







Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 5c: REPORT ON TERM CREDIT SPREAD DIFFERENTIAL ALLOWANCE**

This schedule is only to be completed if, as at the date of the most recently published financial statements, the weighted average original tenor of the debt portfolio (both qualifying debt and non-qualifying debt) is greater than five years. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

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**5c(i): Qualifying Debt (may be Commission only)**

Issuing party	Issue date	Pricing date	Original tenor (in years)	Coupon rate (%)	Book value at issue date (NZD)	Book value at date of financial statements (NZD)	Term Credit Spread Difference	Debt issue cost readjustment
2021 USPP 7yr	23/03/2021	10/03/2021	7.0	2.32%	185,112	192,833	278	(106)
2021 USPP 9yr	23/03/2021	10/03/2021	9.0	2.59%	165,626	167,496	497	(147)
2021 USPP 10yr	23/03/2021	24/11/2020	10.0	2.32%	107,619	99,864	404	(108)
2021 USPP 12yr	23/03/2021	24/11/2020	12.0	2.42%	286,985	255,465	1,507	(335)
2021 USPP 15yr	23/03/2021	24/11/2020	15.0	BKBM +200bps	225,000	223,918	1,688	(300)
* include additional rows if needed						939,576	4,372	(995)

**5c(ii): Attribution of Term Credit Spread Differential**

Gross term credit spread differential		3,377
Total book value of interest bearing debt	1,025,435	
Leverage	42%	
Average opening and closing RAB values	219,011	
Attribution Rate (%)		9%
Term credit spread differential allowance		303

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 5d: REPORT ON COST ALLOCATIONS**

This schedule provides information on the allocation of operational costs. GDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		Value allocated (\$000s)			
		Arm's length deduction	Gas distribution services	Non-gas distribution services	OVABAA allocation increase (\$000s)
7	<b>5d(i): Operating Cost Allocations</b>				
8					
9					
10	<b>Service interruptions, incidents and emergencies</b>				
11	Directly attributable		1,540		
12	Not directly attributable				-
13	<b>Total attributable to regulated service</b>		1,540		
14	<b>Routine and corrective maintenance and inspection</b>				
15	Directly attributable		3,950		
16	Not directly attributable				-
17	<b>Total attributable to regulated service</b>		3,950		
18	<b>Asset replacement and renewal</b>				
19	Directly attributable		-		
20	Not directly attributable				-
21	<b>Total attributable to regulated service</b>		-		
22	<b>System operations and network support</b>				
23	Directly attributable		2,982		
24	Not directly attributable				-
25	<b>Total attributable to regulated service</b>		2,982		
26	<b>Business support</b>				
27	Directly attributable		920		
28	Not directly attributable	673	3,091	26,541	30,305
29	<b>Total attributable to regulated service</b>		4,011		
30					
31	<b>Operating costs directly attributable</b>		9,392		
32	<b>Operating costs not directly attributable</b>	673	3,091	26,541	30,305
33	<b>Operational expenditure</b>		12,483		-
34					

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 5d: REPORT ON COST ALLOCATIONS**

This schedule provides information on the allocation of operational costs. GDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		Value allocated (\$000s)			OVABAA allocation increase (\$000s)
		Arm's length deduction	Gas distribution services	Non-gas distribution services	
<b>5d(ii): Other Cost Allocations</b>					
<b>Pass through and recoverable costs</b>					
<b>Pass through costs</b>					
	Directly attributable		659		
	Not directly attributable		264	1,121	1,386
	<b>Total attributable to regulated service</b>		924		
<b>Recoverable costs</b>					
	Directly attributable		-		
	Not directly attributable		-		
	<b>Total attributable to regulated service</b>		-		

		(\$000)	
		CY-1	Current Year (CY)
<b>5d(iii): Changes in Cost Allocations* †</b>			
<b>Change in cost allocation 1</b>			
Cost category		Original allocation	
Original allocator or line items		New allocation	
New allocator or line items		Difference	
Rationale for change			
<b>Change in cost allocation 2</b>			
Cost category		Original allocation	
Original allocator or line items		New allocation	
New allocator or line items		Difference	
Rationale for change			
<b>Change in cost allocation 3</b>			
Cost category		Original allocation	
Original allocator or line items		New allocation	
New allocator or line items		Difference	
Rationale for change			

\* a change in cost allocation must be completed for each cost allocator change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or component.

† include additional rows if needed

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 5e: REPORT ON ASSET ALLOCATIONS**

This schedule requires information on the allocation of asset values. This information supports the calculation of the RAB value in Schedule 4. GDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any changes in asset allocations. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5e(i): Regulated Service Asset Values		Value allocated (\$000s) Gas distribution services
<b>Main pipe</b>		
Directly attributable		146,129
Not directly attributable		
<b>Total attributable to regulated service</b>		146,129
<b>Service pipe</b>		
Directly attributable		55,367
Not directly attributable		
<b>Total attributable to regulated service</b>		55,367
<b>Stations</b>		
Directly attributable		7,141
Not directly attributable		
<b>Total attributable to regulated service</b>		7,141
<b>Line valve</b>		
Directly attributable		2,622
Not directly attributable		
<b>Total attributable to regulated service</b>		2,622
<b>Special crossings</b>		
Directly attributable		3,126
Not directly attributable		
<b>Total attributable to regulated service</b>		3,126
<b>Other network assets</b>		
Directly attributable		4,303
Not directly attributable		
<b>Total attributable to regulated service</b>		4,303
<b>Non-network assets</b>		
Directly attributable		606
Not directly attributable		762
<b>Total attributable to regulated service</b>		1,368
<b>Regulated service asset value directly attributable</b>		219,293
<b>Regulated service asset value not directly attributable</b>		762
<b>Total closing RAB value</b>		220,056

5e(ii): Changes in Asset Allocations* †		(\$000)	
Change in asset value allocation 1		CY-1	Current Year (CY)
Asset category		Original allocation	
Original allocator or line items		New allocation	
New allocator or line items		Difference	-
Rationale for change			
Change in asset value allocation 2		(\$000)	
Asset category		CY-1	Current Year (CY)
Original allocator or line items		Original allocation	
New allocator or line items		New allocation	
		Difference	-
Rationale for change			
Change in asset value allocation 3		(\$000)	
Asset category		CY-1	Current Year (CY)
Original allocator or line items		Original allocation	
New allocator or line items		New allocation	
		Difference	-
Rationale for change			

component.

† include additional rows if needed

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR**

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs. GDBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

	(\$000)	(\$000)
<b>7 6a(i): Expenditure on Assets</b>		
8 Consumer connection		2,887
9 System growth		896
10 Asset replacement and renewal		2,453
11 Asset relocations		450
12 Reliability, safety and environment:		
13 Quality of supply	-	
14 Legislative and regulatory	4	
15 Other reliability, safety and environment	553	
16 <b>Total reliability, safety and environment</b>		557
17 <b>Expenditure on network assets</b>		7,242
18 Expenditure on non-network assets		200
19		
20 <b>Expenditure on assets</b>		7,442
21 plus Cost of financing		2
22 less Value of capital contributions		767
23 plus Value of vested assets		-
24		
25 <b>Capital expenditure</b>		6,677
26 <b>6a(ii): Subcomponents of Expenditure on Assets (where known)</b>		(\$000)
27 Research and development		N/A
28 <b>6a(iii): Consumer Connection</b>		
29 <i>Consumer types defined by GDB*</i>	(\$000)	(\$000)
30 Mains Extensions/Subdivisions	(49)	
31 Service Connections - Residential	2,621	
32 Service Connections - Commercial	314	
33		
34		
35 <i>* include additional rows if needed</i>		
36 <b>Consumer connection expenditure</b>		2,887
37		
38 less Capital contributions funding consumer connection expenditure	303	
39 <b>Consumer connection less capital contributions</b>		2,583

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR**

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs. GDBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

	System Growth (\$000)	Asset Replacement and Renewal (\$000)
<b>41 6a(iv): System Growth and Asset Replacement and Renewal</b>		
<b>42 Intermediate pressure</b>		
43 Main pipe	2	(0)
44 Service pipe	-	-
45 Stations	(32)	104
46 Line valve	-	22
47 Special crossings	-	21
<b>48 Intermediate pressure -total</b>	<b>(30)</b>	<b>147</b>
<b>49 Medium pressure</b>		
50 Main pipe	926	1,310
51 Service pipe	-	3
52 Stations	-	248
53 Line valve	-	99
54 Special crossings	-	13
<b>55 Medium pressure - total</b>	<b>926</b>	<b>1,675</b>
<b>56 Low pressure</b>		
57 Main pipe	-	86
58 Service pipe	-	-
59 Line valve	-	-
60 Special crossings	-	-
<b>61 Low pressure - total</b>	<b>-</b>	<b>86</b>
<b>62 Other network assets</b>		
63 Monitoring and control systems	-	16
64 Cathodic protection systems	-	450
65 Other assets (other than above)	-	78
<b>66 Other network assets - total</b>	<b>-</b>	<b>545</b>
<b>67 System growth and asset replacement and renewal expenditure</b>	<b>896</b>	<b>2,453</b>
68 less Capital contributions funding system growth and asset replacement and renewal	134	-
<b>69 System growth and asset replacement and renewal less capital contributions</b>	<b>762</b>	<b>2,453</b>
<b>70 6a(v): Asset Relocations</b>		
71 <i>Project or programme*</i>	(\$000)	(\$000)
72		
73		
74		
75		
76		
77		
78		
79		
80 <i>* include additional rows if needed</i>		
81 All other projects or programmes - asset relocations	450	
<b>82 Asset relocations expenditure</b>		<b>450</b>
83 less Capital contributions funding asset relocations	330	
<b>84 Asset relocations less capital contributions</b>		<b>120</b>



Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR**

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs. GDBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		(\$000)	(\$000)
85	<b>6a(vi): Quality of Supply</b>		
86	Project or programme*		
87	Nil		
88			
89			
90			
91			
92	* include additional rows if needed		
93	All other projects or programmes - quality of supply		
94	<b>Quality of supply expenditure</b>		-
95	less Capital contributions funding quality of supply		
96	<b>Quality of supply less capital contributions</b>		-
97			
98	<b>6a(vii): Legislative and Regulatory</b>		
99	Project or programme*		
100			
101			
102			
103			
104			
105	* include additional rows if needed		
106	All other projects or programmes - legislative and regulatory	4	4
107	<b>Legislative and regulatory expenditure</b>		4
108	less Capital contributions funding legislative and regulatory		
109	<b>Legislative and regulatory less capital contributions</b>		4
110			
111	<b>6a(viii): Other Reliability, Safety and Environment</b>		
112	Project or programme*		
113			
114			
115			
116			
117			
118	* include additional rows if needed		
119	All other projects or programmes - other reliability, safety and environment	553	553
120	<b>Other reliability, safety and environment expenditure</b>		553
121	less Capital contributions funding other reliability, safety and environment		
122	<b>Other reliability, safety and environment less capital contributions</b>		553
123	<b>6a(ix): Non-Network Assets</b>		
124	<b>Routine expenditure</b>		
125	Project or programme*		
126			
127			
128			
129			
130			
131	* include additional rows if needed		
132	All other projects or programmes - routine expenditure	200	200
133	<b>Routine expenditure</b>		200
134	<b>Atypical expenditure</b>		
135	Project or programme*		
136			
137			
138			
139			
140			
141	* include additional rows if needed		
142	All other projects or programmes - atypical expenditure		
143	<b>Atypical expenditure</b>		-
144			
145	<b>Expenditure on non-network assets</b>		200

Company Name

First Gas Limited (Distribution)

For Year Ended

30 September 2024

**SCHEDULE 6b: REPORT ON OPERATIONAL EXPENDITURE FOR THE DISCLOSURE YEAR**

This schedule requires a breakdown of operational expenditure incurred in the current disclosure year. GDBs must provide explanatory comment on their operational expenditure in Schedule 14 (Explanatory notes to templates). This includes explanatory comment on any atypical operational expenditure and assets replaced or renewed as part of asset replacement and renewal operational expenditure, and additional information on insurance.

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		(\$000)	(\$000)
7	<b>6b(i): Operational Expenditure</b>		
8	Service interruptions, incidents and emergencies	1,540	
9	Routine and corrective maintenance and inspection	3,950	
10	Asset replacement and renewal	-	
11	<b>Network opex</b>		5,491
12	System operations and network support	2,982	
13	Business support	4,011	
14	<b>Non-network opex</b>		6,993
15			
16	<b>Operational expenditure</b>		12,483
17	<b>6b(ii): Subcomponents of Operational Expenditure (where known)</b>		
18	Research and development		69
19	Insurance		480

Company Name **First Gas Limited (Distribution)**  
 For Year Ended **30 September 2024**

**SCHEDULE 7: COMPARISON OF FORECASTS TO ACTUAL EXPENDITURE**

This schedule compares actual revenue and expenditure to the previous forecasts that were made for the disclosure year. Accordingly, this schedule requires the forecast revenue and expenditure information from previous disclosures to be inserted.

GDBs must provide explanatory comment on the variance between actual and target revenue and forecast expenditure in Schedule 14 (Mandatory Explanatory Notes). This information is part of the audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8. For the purpose of this audit, target revenue and forecast expenditures only need to be verified back to previous disclosures.

sch ref

		Target (\$000) <sup>1</sup>	Actual (\$000)	% variance
8	<b>7(i): Revenue</b>			
9	Line charge revenue	33,581	34,813	4%
10	<b>7(ii): Expenditure on Assets</b>			
11	Consumer connection	5,242	2,887	(45%)
12	System growth	2,952	896	(70%)
13	Asset replacement and renewal	4,237	2,453	(42%)
14	Asset relocations	772	450	(42%)
15	Reliability, safety and environment:			
16	Quality of supply	159	-	(100%)
17	Legislative and regulatory	80	4	(95%)
18	Other reliability, safety and environment	345	553	60%
19	<b>Total reliability, safety and environment</b>	584	557	(5%)
20	<b>Expenditure on network assets</b>	13,787	7,242	(47%)
21	Expenditure on non-network assets	523	200	(62%)
22	<b>Expenditure on assets</b>	14,310	7,442	(48%)
23	<b>7(iii): Operational Expenditure</b>			
24	Service interruptions, incidents and emergencies	2,809	1,540	(45%)
25	Routine and corrective maintenance and inspection	2,806	3,950	41%
26	Asset replacement and renewal	-	-	-
27	<b>Network opex</b>	5,615	5,491	(2%)
28	System operations and network support	2,265	2,982	32%
29	Business support	3,798	4,011	6%
30	<b>Non-network opex</b>	6,063	6,993	15%
31	<b>Operational expenditure</b>	11,678	12,483	7%
32	<b>7(iv): Subcomponents of Expenditure on Assets (where known)</b>			
33	Research and development	-	N/A	-
34	<b>7(v): Subcomponents of Operational Expenditure (where known)</b>			
35	Research and development	-	69	-
36	Insurance	-	480	-
37	<i>1 From the nominal dollar target revenue for the pricing year disclosed under clause 2.4.3(3) of this determination</i>			
38	<i>2 From the CY+1 nominal dollar expenditure forecasts disclosed in accordance with clause 2.6.6 for the forecast period starting at the beginning of the disclosure year (the second to last disclosure of Schedules 11a and 11b)</i>			

Company Name	<b>First Gas Limited (Distribution)</b>
For Year Ended	<b>30 September 2024</b>
Network / Sub-Network Name	

**SCHEDULE 8: REPORT ON BILLED QUANTITIES AND LINE CHARGE REVENUES**

This schedule requires the billed quantities and associated line charge revenues for the disclosure year for each consumer group or price category code used by the GDB in its pricing schedules. Information is also required on the number of ICPs that are included in each consumer group or price category code, and the energy delivered to these ICPs.

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**8(i): Billed quantities by price component**

Consumer group name or price category code	Consumer type or types (eg, residential, commercial, etc.)	Standard or non-standard consumer group (specify)	Average no. of ICPs in disclosure year	Quantity of gas delivered (TJ)
GNDR	Residential	Standard	63,890	1,243
GNOV	Residential	Standard	-	-
GNO1	Business/Commercial	Standard	2,019	175
GNO2	Commercial	Standard	1,554	473
GNO3	Commercial	Standard	527	914
GNO4	Commercial/Industrial	Standard	73	864
GNO5	Large Industrial	Standard	10	715
NGG0	Large Industrial	Non-standard	19	4,388

Add extra rows for additional consumer groups or price category codes as necessary

Standard consumer totals	68,073	4,385
Non-standard consumer totals	19	4,388
<b>Total for all consumers</b>	<b>68,092</b>	<b>8,773</b>

**Billed quantities by price component**

Price component  
  
Unit charging basis (eg, days, GJ, etc.)

Fixed	Variable			
Days	Kwh			
23,342,458	345,402,903			
-	-			
737,238	48,583,119			
568,116	131,411,093			
192,490	253,999,868			
26,762	240,022,401			
3,511	198,680,734			
6,205	1,218,851,050			

Add extra columns for additional billed quantities by price component as necessary

24,870,575	1,218,100,118	-	-	-
6,205	1,218,851,050	-	-	-
24,876,780	2,436,951,168	-	-	-



Company Name **First Gas Limited (Distribution)**

For Year Ended **30 September 2024**

Network / Sub-network Name

**SCHEDULE 9a: ASSET REGISTER**

This schedule requires a summary of the quantity of assets that make up the network, by asset category and asset class.

sch ref

8	Operating Pressure	Asset Category	Asset Class	Units	Items at start of year (quantity)	Items at end of year (quantity)	Net change	Data accuracy (1-4)
9	Intermediate Pressure	Main pipe	IP PE main pipe	km	-	0	-	N/A
10	Intermediate Pressure	Main pipe	IP steel main pipe	km	173	173	-	3
11	Intermediate Pressure	Main pipe	IP other main pipe	km	-	-	-	N/A
12	Intermediate Pressure	Service pipe	IP PE service pipe	km	-	-	-	N/A
13	Intermediate Pressure	Service pipe	IP steel service pipe	km	1	1	-	3
14	Intermediate Pressure	Service pipe	IP other service pipe	km	-	-	-	N/A
15	Intermediate Pressure	Stations	Intermediate pressure DRS	No.	98	97	(1)	3
16	Intermediate Pressure	Line valve	IP line valves	No.	223	235	12	3
17	Intermediate Pressure	Special crossings	IP crossings	No.	17	17	-	2
18	Medium Pressure	Main pipe	MP PE main pipe	km	3,201	3,222	21	3
19	Medium Pressure	Main pipe	MP steel main pipe	km	128	125	(3)	3
20	Medium Pressure	Main pipe	MP other main pipe	km	-	-	-	N/A
21	Medium Pressure	Service pipe	MP PE service pipe	km	1,388	1,394	6	3
22	Medium Pressure	Service pipe	MP steel service pipe	km	11	11	-	3
23	Medium Pressure	Service pipe	MP other service pipe	km	-	-	-	3
24	Medium Pressure	Stations	Medium pressure DRS	No.	26	26	-	3
25	Medium Pressure	Line valve	MP line valves	No.	1,608	1,638	30	3
26	Medium Pressure	Special crossings	MP special crossings	No.	75	75	-	2
27	Low Pressure	Main pipe	LP PE main pipe	km	40	40	-	3
28	Low Pressure	Main pipe	LP steel main pipe	km	-	0	-	N/A
29	Low Pressure	Main pipe	LP other main pipe	km	-	-	-	N/A
30	Low Pressure	Service pipe	LP PE service pipe	km	29	28	(1)	3
31	Low Pressure	Service pipe	LP steel service pipe	km	-	0	-	N/A
32	Low Pressure	Service pipe	LP other service pipe	km	-	-	-	N/A
33	Low Pressure	Line valve	LP line valves	No.	29	31	2	3
34	Low Pressure	Special crossings	LP special crossings	No.	-	-	-	N/A
35	All	Monitoring and control systems	Remote terminal units	No.	-	-	-	N/A
36	All	Cathodic protection systems	Cathodic protection	No.	43	70	27	2

Company Name	First Gas Limited (Distribution)
For Year Ended	30 September 2024
Network / Sub-network Name	

**SCHEDULE 9b: ASSET AGE PROFILE**

This schedule requires a summary of the age profile (based on year of installation) of the assets that make up the network, by asset category and asset class.

sch ref	Disclosure Year (year ended)		Number of assets at disclosure year end by installation date																																Items at end of year																													
	30 September 2024																																		No. with age	No. with	Data accuracy																											
	pre-1970	1970-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995-1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	unknown	(quantity)	default dates	(1-4)																												
9	Operating Pressure	Asset Category																																																														
10	Intermediate Pressure	Main pipe	IP PE main pipe	km	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0																											
11	Intermediate Pressure	Main pipe	IP steel main pipe	km	1	16	1	92	47	8	0	-	0	0	0	0	0	1	-	0	0	0	0	1	0	1	0	0	1	1	2	0	0	0	0	173	173																											
12	Intermediate Pressure	Main pipe	IP other main pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																												
13	Intermediate Pressure	Service pipe	IP PE service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																												
14	Intermediate Pressure	Service pipe	IP steel service pipe	km	-	-	-	0	0	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	-	-	-	-	-	-	1	1																												
15	Intermediate Pressure	Service pipe	IP other service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																												
16	Intermediate Pressure	Stations	Intermediate pressure	No.	-	-	-	26	25	7	1	-	3	1	-	3	-	-	-	1	1	3	1	-	5	4	3	2	5	4	3	1	-	2	-	97	97																											
17	Intermediate Pressure	Line valve	IP line valves	No.	2	4	4	53	43	14	4	1	2	-	1	5	7	-	4	5	-	4	4	11	4	9	6	5	43	11	10	4	1	1	3	255	256																											
18	Intermediate Pressure	Special crossings	IP crossings	No.	1	-	-	8	7	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17	17																												
19	Medium Pressure	Main pipe	MP PE main pipe	km	1	17	132	186	713	517	428	62	56	46	68	89	83	59	61	58	27	15	13	15	32	43	34	42	74	67	71	55	47	61	29	19	3,222	3,222																										
20	Medium Pressure	Main pipe	MP steel main pipe	km	7	71	29	15	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	125	125																										
21	Medium Pressure	Main pipe	MP other main pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																											
22	Medium Pressure	Service pipe	MP PE service pipe	km	0	19	78	56	163	215	237	45	41	36	42	40	35	37	34	28	15	17	16	13	17	20	16	15	38	20	22	23	24	25	16	11	1,394	1,394																										
23	Medium Pressure	Service pipe	MP steel service pipe	km	0	8	1	0	0	0	0	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11	11																										
24	Medium Pressure	Service pipe	MP other service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																											
25	Medium Pressure	Stations	Medium pressure DR1	No.	-	3	1	2	1	-	-	2	1	-	-	-	-	-	-	1	2	-	-	-	-	-	-	-	-	-	-	-	-	2	-	26	26																											
26	Medium Pressure	Line valve	MP line valves	No.	13	72	41	155	107	36	31	5	7	6	8	16	16	4	8	12	11	10	14	26	15	32	39	37	45	77	88	171	185	199	77	74	1,638	1,638																										
27	Medium Pressure	Special crossings	MP special crossings	No.	-	-	-	8	26	8	6	1	1	-	-	-	-	-	1	-	-	-	-	-	1	2	-	-	3	3	2	-	-	-	12	75	75																											
28	Low Pressure	Main pipe	LP PE main pipe	km	0	3	16	2	3	3	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40	40																										
29	Low Pressure	Main pipe	LP steel main pipe	km	0	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0																										
30	Low Pressure	Main pipe	LP other main pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																											
31	Low Pressure	Service pipe	LP PE service pipe	km	0	2	5	3	2	3	3	0	0	0	0	0	0	0	1	0	0	0	0	0	2	1	0	0	0	0	0	0	0	0	0	0	28	28																										
32	Low Pressure	Service pipe	LP steel service pipe	km	0	0	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0																										
33	Low Pressure	Service pipe	LP other service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																											
34	Low Pressure	Line valve	LP line valves	No.	2	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	1	14	3	-	-	31	31																											
35	Low Pressure	Special crossings	LP special crossings	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																											
36	All	Monitoring and control system	Remote terminal unit	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																											
37	All	Cathodic protection systems	Cathodic protection	No.	-	1	-	6	34	8	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27	70																											

Company Name	<b>First Gas Limited (Distribution)</b>
For Year Ended	<b>30 September 2024</b>
Network / Sub-network Name	

**SCHEDULE 9c: REPORT ON PIPELINE DATA**

This schedule requires a summary of the key characteristics of the pipeline network.

*sch ref*

**Network Information (end of year)**

System length by material (defined by GDB)	Length (km)	%
Steel	314	6.28%
PE	4,682	93.72%
Other	-	-
		-
		-
		-
<b>System length</b>	<b>4,996</b>	<b>100.00%</b>

By operating pressure:	System length (km) (at year end)	Weighted average pipe diameter (mm)	Number of ICPs (at year end)	Gas conveyed for
				Persons not involved in the GDB (TJ)
Intermediate pressure	175	80	36	5,160
Medium pressure	4,752	28	66,615	4,070
Low pressure	69	37	1,343	28
<b>Total</b>	<b>4,996</b>	<b>30</b>	<b>67,994</b>	<b>9,257</b>



Company Name

**First Gas Limited (Distribution)**

For Year Ended

**30 September 2024**

Network / Sub-network Name

**SCHEDULE 9d: REPORT ON DEMAND**

This schedule requires a summary of the key measures of network demand for the disclosure year (number of new connections including, maximum monthly loads and total gas conveyed)

sch ref

8

9

**9d(i): Consumer Connections**

Number of ICPs connected in year by consumer type

10

11

12

<i>Consumer types defined by GDB</i>	<b>Number of connections (ICPs)</b>
Residential	964
Commercial	61
Industrial	2
<b>Total</b>	<b>1,027</b>

13

14

15

16

17

18

19

**9d(ii): Gas Delivered**

20

21

Number of ICPs at year end	67,994	connections
Maximum daily load	34,016	(GJ per day)
Maximum monthly load	896,296	(GJ per month)
Number of directly billed ICPs	-	(at year end)
Total gas conveyed	9,095,859	(GJ per annum)
Average daily delivery	24,852	(GJ per day)

22

23

24

25

26

27

28

<b>Load factor</b>	<b>84.57%</b>
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Company Name	First Gas Limited (Distribution)
For Year Ended	30 September 2024
Network / Sub-network Name	

**SCHEDULE 10a: REPORT ON NETWORK RELIABILITY AND INTERRUPTIONS**

This schedule requires a summary of the key measures of network reliability (interruptions, SAIDI, SAIFI and CAIDI) for the disclosure year. GDBs must provide explanatory comment on their network reliability for the disclosure year in Schedule 14 (Explanatory Notes to Templates). The SAIDI and SAIFI information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

8	<b>10a(i): Interruptions</b>				
9	<b>Interruptions by class</b>		<b>Actual</b>		
10	Class A (planned interruptions by GTB)			-	
11	Class B (planned interruptions on the network)			131	
12	Class C (unplanned interruptions on the network)			105	
13	Class D (unplanned interruptions by GTB)			1	
14	Class I (unplanned interruptions caused by third party damage)			80	
15	<b>Total</b>			<b>317</b>	
16	<b>Number of unplanned outage events (interruptions that affect more than 5 ICPs)</b>		<b>Actual</b>		
17	North Island regions			2	
18					
19					
20					
21					
22	<b>Number of unplanned outage events caused by third party damage (interruptions that affect more than 5 ICPs)</b>		<b>Actual</b>		
23	North Island regions			1	
24					
25					
26					
27					
28	<b>10a(ii): Reliability</b>				
29	<b>Overall reliability</b>		<b>SAIDI</b>	<b>SAIFI</b>	<b>CAIDI</b>
30	Based on the total number of interruptions		569.55	5.625	101.26
31	Class I (unplanned interruptions caused by third party damage)		109.66	1.586	69.14
32	<b>Class B (planned interruptions on the network)</b>		<b>SAIDI</b>	<b>SAIFI</b>	<b>CAIDI</b>
33	North Island regions		294.43	2.012	146.34
34					-
35					-
36					-
37					-
38	<b>Class C (unplanned interruptions on the network)</b>		<b>SAIDI</b>	<b>SAIFI</b>	<b>CAIDI</b>
39	North Island regions		155.55	1.983	78.46
40					-
41					-
42					-
43					-

Company Name	First Gas Limited (Distribution)
For Year Ended	30 September 2024
Network / Sub-network Name	

**SCHEDULE 10b: REPORT ON NETWORK INTEGRITY AND CONSUMER SERVICE**

This schedule requires a summary of the key measures of network integrity (gas escapes, response time to emergencies etc) for the disclosure year.

sch ref

8 **10b(i): System Condition and Integrity**

9 **Number of confirmed public reported gas escapes per system length**  
 10 **(escapes/1000 km)**

Actual

North Island regions	28.788

15 **Number of leaks detected by routine survey per system length**  
 16 **(leaks/1000 km)**

Actual

North Island regions	10.396

21 **Number of third party damage events per system length**  
 22 **(events/1000 km)**

Actual

North Island regions	29.188

27 **Number of poor pressure events due to network causes**

Actual

North Island regions	5.000

34 **Number of telephone calls to emergency numbers answered within 30 seconds**  
 35 **per total number of calls**

Actual

Note: This entry may be excluded for sub-networks.

North Island regions	69.50%

40 **Product control—safety of distribution gas**

Actual

Number of non-compliant odour tests	11
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42 **10b(ii): Consumer Service**

43 **Response time to emergencies (RTE)**

	Proportion of emergencies responded to within 1 hour (%)	Proportion of emergencies responded to within 3 hours (%)	Average call response time (hours)	Number of emergencies
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North Island regions	86.67%	100%	0.51	60

49 **Number of complaints**

Actual

Number of complaints per average total consumer numbers	0.000162
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Company Name First Gas Limited (Distribution)

For Year Ended 30 September 2024

## **Schedule 14 Mandatory Explanatory Notes**

*(Guidance Note: This Microsoft Word version of Schedules 14, 14a and 15 is from the Gas Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018. Clause references in this template are to that determination)*

1. This schedule requires GDBs to provide explanatory notes to information provided in accordance with clauses 2.3.1, 2.4.21, 2.4.22, and subclauses 2.5.1(1)(e) and 2.5.2(1)(e).
2. This schedule is mandatory—GDBs must provide the explanatory comment specified below, in accordance with clause 2.7.1. Information provided in boxes 1 to 11 of this schedule is part of the audited disclosure information, and so is subject to the assurance requirements specified in section 2.8.
3. Schedule 15 (Voluntary Explanatory Notes to Schedules) provides for GDBs to give additional explanation of disclosed information should they elect to do so.

### *Return on Investment (Schedule 2)*

4. In the box below, comment on return on investment as disclosed in Schedule 2. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

**Box 1: Explanatory comment on return on investment**

The vanilla return on investment (ROI) for our gas distribution business of 5.81% was lower than the RY2023 result of 7.88%. This decrease in ROI is primarily due to the RY2024 CPI applied to revaluations being lower than RY2023, partially offset by an increase in line charge revenue consistent with the default price-quality path.

### *Regulatory Profit (Schedule 3)*

5. In the box below, comment on regulatory profit for the disclosure year as disclosed in Schedule 3. This comment must include-
  - 5.1 a description of material items included in other regulated income (other than gains / (losses) on asset disposals), as disclosed in 3(i) of Schedule 3
  - 5.2 information on reclassified items in accordance with subclause 2.7.1(2).

**Box 2: Explanatory comment on regulatory profit**

Other regulated income includes contributions towards hydrogen trials from other GDBs participating in the trial.

There has been no re-classification of items in the disclosure year.

*Merger and acquisition expenses (3(iv) of Schedule 3)*

6. If the GDB incurred merger and acquisitions expenditure during the disclosure year, provide the following information in the box below:
  - 6.1 information on reclassified items in accordance with subclause 2.7.1(2)
  - 6.2 any other commentary on the benefits of the merger and acquisition expenditure to the GDB.

**Box 3: Explanatory comment on merger and acquisition expenditure**

No merger and acquisition expenditure was incurred during the disclosure year.

*Value of the Regulatory Asset Base (Schedule 4)*

7. In the box below, comment on the value of the regulatory asset base (rolled forward) in Schedule 4. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

**Box 4: Explanatory comment on the value of the regulatory asset based (rolled forward)**

The value of the regulated asset base (RAB) has been determined by rolling forward the initial RAB with adjustments made for additions, disposals, depreciation, and revaluation in accordance with the applicable Input Methodologies.

The Commerce Commission's May 2022 DPP Determination and associated Input Methodology amendments required depreciation to be accelerated and specified the amount of depreciation for existing assets over the DPP period. The DPP Determination also specified the weighted average life to be applied to existing assets. This results in a depreciation adjustment factor that is also applied to future additions.

The adjustment factor of 63% for distribution assets was calculated by taking the assets for RY2021 and rolling forward the depreciation until RY2026 to match the depreciation specified in the DPP Determination over the period. The adjustment factor was applied to asset categories that had a remaining life older than 20 years. The CPI factors used matched the actual for RY2022 and RY2023 and the remaining years used the rates modelled by Commerce Commission. Land and easements with no life were excluded from the calculation. This adjustment factor is then applied to the depreciation rates for additions from RY2022 onwards.

There has been no re-classification of items in the disclosure year.

Opening works under construction (WUC) was adjusted in RY2024 to remove historical legacy variances in WUC balances.

*Regulatory tax allowance: disclosure of permanent differences (5a(i) of Schedule 5a)*

8. In the box below, provide descriptions and workings of the material items recorded in the following asterisked categories of 5a(i) of Schedule 5a-

- 8.1 Income not included in regulatory profit / (loss) before tax but taxable
- 8.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible
- 8.3 Income included in regulatory profit / (loss) before tax but not taxable
- 8.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax

**Box 5: Regulatory tax allowance: permanent differences**

Permanent differences consist of immaterial non-deductible professional and entertainment expenses.

*Regulatory tax allowance: disclosure of temporary differences (5a(vi) of Schedule 5a)*

9. In the box below, provide descriptions and workings of material items recorded in the asterisked category 'Tax effect of other temporary differences' in 5a(vi) of Schedule 5a.

**Box 6: Tax effect of other temporary differences (current disclosure year)**

Temporary differences include immaterial movements in provisions and accruals.

*Cost allocation (Schedule 5d)*

10. In the box below, comment on cost allocation as disclosed in Schedule 5d. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

**Box 7: Cost allocation**

There has been no reclassification of costs in the RY2024 disclosure period.

**Approach to cost allocation**

Firstgas (distribution) is part of Clarus. Business support functions are provided to other Clarus companies as well as to our regulated gas transmission business. Any shared costs are charged to the relevant related party on an arm's-length basis, as reported in schedule 5b. Further information on our related party transactions is included in the voluntary notes (Schedule 15) at the end of this disclosure.

Remaining shared costs within Firstgas are allocated applying the accounting-based allocation approach (ABAA). ABAA has been applied in accordance with the applicable Input Methodologies determination to allocate not-directly attributable costs (shared costs) between Firstgas' transmission and distribution businesses.

Causal cost allocators have been used where a cost driver has led to the cost being incurred.

Where a single causal allocator cannot be established for a shared cost, a proxy allocator has been used. The rationale behind the use of each proxy allocator is based on an analysis of the cost drivers for each cost item that is not directly attributable. The key allocator that can be used as a proxy allocator is determined by management based on management's experience and knowledge, and an analysis of each of the cost areas.

Only one allocation method is used for each cost area.

**Treatment of costs**

Business support costs that are not directly attributable arise in the areas of:

- Legal and consulting fees, which has a causal cost allocator of management's estimate of time spent for each regulated business
- Employee-related costs such as phones, stationery, travel, information technology hardware and software, and advertising for positions, which have a causal cost allocator of employee numbers
- General expenses such as sponsorship and professional fees for audit, tax, information and technology and treasury functions which have a proxy cost allocator of the RAB
- Directors' fees which have a proxy cost allocator of RAB
- Insurance costs which have a proxy cost allocator of RAB
- Levies which have a proxy cost allocator of RAB



*Asset allocation (Schedule 5e)*

11. In the box below, comment on asset allocation as disclosed in Schedule 5e. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

**Box 8: Commentary on asset allocation**

**Approach to asset cost allocation**

The accounting-based allocation approach (ABAA) has been applied in accordance with the applicable Input Methodologies determination to allocate not-directly attributable shared asset values between Firstgas' transmission and distribution businesses.

Non-network assets that are not directly attributable have been allocated across all Firstgas regulated businesses based on head count. These assets comprise:

- Software
- Computer equipment
- Building equipment and assets.

Headcount is considered an appropriate causal asset allocator as employee numbers tend to drive the need for building assets, computer and office equipment and software.

There has been no re-classification of items in the disclosure year.

*Capital Expenditure for the Disclosure Year (Schedule 6a)*

12. In the box below, comment on expenditure on assets for the disclosure year, as disclosed in Schedule 6a. This comment must include-
- 12.1 a description of the materiality threshold applied to identify material projects and programmes described in Schedule 6a;
- 12.2 information on reclassified items in accordance with subclause 2.7.1(2).

**Box 9: Explanation of capital expenditure for the disclosure year**

A project or programme is considered material if the estimated total project cost is equal to or exceeds \$0.5 million.

**Focus for capital expenditure**

Over the past year, we have concentrated on maintaining a safe and resilient gas distribution network for our customers. We have observed a significant decrease in growth-related and asset relocation projects. Our focus on replacing Pre-85 pipelines was adjusted due to increasing costs and the economic considerations of pipeline replacements. This is reflected in the overall reduction of capital expenditure for RY2024.

**Major works undertaken in RY2024 included:**

- Integrity upgrades to pipelines: The pre-1985 pipeline replacement program was revised due to the uneconomic nature of full pipeline replacements and only 1.2km was replaced during RY24. The updated program now focuses on identifying smaller higher risk sections of pipelines for replacement using an internal camera inspection tool. The procurement, training, and commissioning of this equipment occupied most of RY2024. We anticipate increasing the amount of pipeline replaced in RY2025, although on a lesser scale than in previous years.
- Upgrades to district regulating stations (DRS) and metering equipment: We have upgraded and replaced equipment that was no longer meeting our performance standards at 4 sites. Upgrades to DRS and metering equipment mean that we can ensure adequate supply of pressure across our networks.
- Class 3 leaks: Program to replace sections of pipelines that have leaks that exceed our risk assessments.
- DRS Valve Replacement Program: This replacement program is to improve isolations on DRS and comply with NZ standard 4645 by replacing existing valves with fire rated isolation valves.
- System growth: Firstgas continues to develop and enhance our network to meet the present and future needs of customers, where it is economic. This year we have completed 18 mains extension and subdivision projects across the greater Waikato region, as well as in Taupo, Tauranga, and the Kapiti Coast.
- Customer connections: In RY2024, we added 1,027 new gas connections to our network, despite a reduced level of activity.

Further detail on our expenditure during this period, and our future work programme is available in our 2024 Asset Management Plan (AMP) Update published on the Firstgas website here: <http://firstgas.co.nz/about-us/regulatory/distribution/>

There has been no re-classification of items in the disclosure year.

From time to time, the status of projects previously recognised as capital expenditure

changes. When the project is no longer going to continue and result in a commissioned asset the previously recognised costs are reversed through capital expenditure. This has resulted in some capital expenditure categories showing negative balances in RY2024.

*Operational Expenditure for the Disclosure Year (Schedule 6b)*

13. In the box below, comment on operational expenditure for the disclosure year, as disclosed in Schedule 6b. This comment must include-
- 13.1 Commentary on assets replaced or renewed with asset replacement and renewal operational expenditure, as reported in 6b(i) of Schedule 6b
  - 13.2 Information on reclassified items in accordance with subclause 2.7.1(2)
  - 13.3 Commentary on any material atypical expenditure included in operational expenditure disclosed in Schedule 6b, including the value of the expenditure, the purpose of the expenditure, and the operational expenditure categories the expenditure relates to.

**Box 10: Explanation of operational expenditure for the disclosure year**

There has been no asset replacement and renewal operational expenditure this year.

There has been no re-classification of items in the disclosure year.

Firstgas has not incurred any atypical expenditure in RY2024.

*Variance between forecast and actual expenditure (Schedule 7)*

14. In the box below, comment on variance in actual to forecast expenditure for the disclosure year, as reported in Schedule 7. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

**Box 11: Explanatory comment on variance in actual to forecast expenditure**

**Expenditure on assets (Capex)**

Total capital expenditure is approximately \$6.9 million (48%) below the expenditure forecast for RY2024 in our 2023 Asset Management Plan (AMP).

The decrease in network capex from forecast is largely due to:

- Asset replacement and renewal: Expenditure in this category is approximately \$1.8 million below that forecast for the period. This was driven by the economic replacement of Pre-85 pipelines and moving to a targeted camera inspection program. Which took most of RY2024 to purchase, train and implement.
- Customer connections: Expenditure in this category is driven by customer demand. The \$2.4 million underspend to forecast relates to lower than expected number of standard connections completed during the year.
- System Growth: Expenditure in this category is \$2.1 million below forecast. This was driven by a reduction in requests from developers.

**Operational expenditure**

Total operating expenditure is slightly above the RY2024 forecast published in our 2023 AMP, with actual Opex \$0.8 million above forecast. The increase is attributable to an increase in engineering support and technology costs recognised in System operations and network support costs.

Further detail on our expenditure for this period, and future work programme is available in our 2024 AMP Update published on the Firstgas website here:  
<https://firstgas.co.nz/aboutus/regulatory/distribution/>

*Information relating to revenues and quantities for the disclosure year*

15. In the box below, please explain reasons for any material differences between target revenue disclosed before the start of the pricing year in accordance with clause 2.4.1 and subclause 2.4.3(3), and total billed line charge revenue for the disclosure year as disclosed in Schedule 8.

**Box 12: Explanatory comment relating to revenue for the disclosure year**

Our line charge revenue of \$34.8 million was \$1.2m (4%) higher than target revenue. Consistent with the regulatory requirements, prices were determined from target revenue using RY2022 quantities. A change in quantities between pricing groups in RY2024 resulted in higher revenue being received than targeted.

16. If price category codes or consumer groups (as applicable) have been changed in a disclosure year, please explain in the box below the effect of this on the allocation of ICPs, quantities and revenues between consumer groups disclosed in Schedule 8.

**Box 13: Explanatory comment relating to changed price category codes or consumer groups**

No price category codes or consumer groups were changed in the RY2024 disclosure year.

*Network Reliability for the Disclosure Year (Schedule 10a)*

17. In the box below, comment on network reliability for the disclosure year, as disclosed in Schedule 10a.

**Box 14: Commentary on network reliability for the disclosure year**

A total of 317 interruptions were experienced on the network in RY2024. The increase from the 286 interruptions experienced in RY2023 is mainly due to an increase in planned interruptions.

In RY2024, Firstgas has continued with its planned programme of works to replace sections for the pre-1985 PE pipeline.

The number of unplanned interruptions on the network not caused by third parties (Class C), and the number of unplanned interruptions caused by third parties (Class I), are at similar levels to previous years and remain comparable to the other network companies. Firstgas has limited control over the number of interruptions caused by third parties. Our focus is to ensure our response is efficient and effective. We also continue to engage with developers and contractors and actively promote the “before u dig” service.

*Insurance cover*

18. In the box below, provide details of any insurance cover for the assets used to provide gas pipeline services, including-
- 18.1 The GDB’s approaches and practices in regard to the insurance of assets, including the level of insurance;
- 18.2 In respect of any self insurance, the level of reserves, details of how reserves are managed and invested, and details of any reinsurance.

**Box 15: Explanation of insurance cover**

Insurance cover is in place for a large number of group assets, excluding distribution pipeline assets. These policies cover material damage, business interruption and contract works insurance.

Insurance costs are allocated to the gas distribution business based on the businesses share of total RAB forecasts.

*Amendments to previously disclosed information*

19. In the box below, provide information about amendments to previously disclosed information disclosed in accordance with clause 2.12.1 in the last 7 years, including:
- 19.1 a description of each error; and
  - 19.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

<p><b>Box 16: Disclosure of amendment to previously disclosed information</b> No amendments have been made to previously disclosed information.</p>
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Company Name First Gas Limited (Distribution)

For Year Ended 30 September 2023

### **Schedule 15: Voluntary Explanatory Notes**

*(In this Schedule, clause references are to the Gas Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018.)*

1. This schedule enable GDBs to provide, should they wish to:
  - 1.1 additional explanatory comment to reports prepared in accordance with clauses 2.3.1, 2.4.21, 2.4.22, 2.5.1, and 2.5.2.
  - 1.2 information on any substantial changes to information disclosed in relation to a prior disclosure year, as a result of final wash-ups.
2. Information in this schedule is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section 2.8.
3. Provide additional explanatory comment in the box below.

**Box 1: Voluntary explanatory comment on disclosed information**

Firstgas works closely with other Clarus companies. As required under the information disclosure determination, the following pages outline Firstgas' interactions and relationships with our related parties for the 2024 disclosure year.



REGULATORY DISCLOSURE

**Gas distribution services:**

# **Appendix A - Information disclosure for related parties**

For the year ended 30 September 2024



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**First Gas Limited**  
March 2025

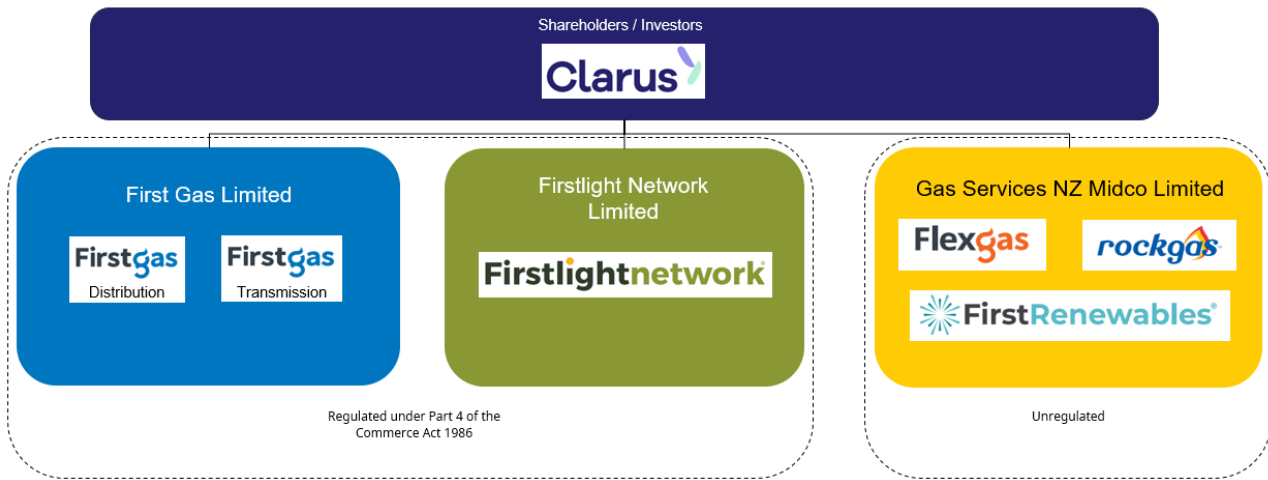


## Introduction

First Gas Limited (Firstgas) owns and operates more than 4,900 kilometres of gas distribution pipelines that service approximately 66,000 consumers across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne and Kāpiti Coast. Firstgas also owns and operates 2,500 kilometres of gas transmission pipelines. These pipelines transport around 20 percent of New Zealand’s primary energy supply from Taranaki across the North Island.

Firstgas is part of Clarus, owned by Igneo Infrastructure Partners. Clarus is one of New Zealand’s largest energy groups, with brands that touch many parts of the energy supply chain – from energy transmission and distribution to retail supply and storage.

**Figure 1: Structure of Clarus for disclosure year 2024<sup>1</sup>**



For further information on Firstgas, please visit our website [www.firstgas.co.nz](http://www.firstgas.co.nz).

## Information disclosure requirements

This disclosure is made on behalf of Firstgas’ distribution business. Firstgas (distribution) procures operations and maintenance (O&M) services from its related party, Gas Services New Zealand Midco Limited (GSNZ). The extent of these and other purchases from the wider Clarus group mean that Firstgas (distribution) procures more that 65% of its operating expenditure (Opex) and capital expenditure (Capex) from a related party.

Given this use of related parties, Firstgas (distribution) is subject to the full disclosure requirements for related parties under the *Gas Distribution Services Information Disclosure Determination 2012* consolidating all amendments as of 27 November 2024 (ID Determination) issued by the Commerce Commission.

<sup>1</sup> The structure of the Clarus and companies has been truncated to facilitate understanding of the related party relationship.

The related party information disclosed on the following pages has been prepared in accordance with sections 2.3.8, 2.3.10, 2.3.12 and 2.3.13 of the ID Determination. It:

- Provides a summary of related party relationships and transactions
- Provides a summary of the Clarus procurement policy and describes how this policy is applied in practice by Firstgas (distribution)
- Describes policies and procedures that require consumers to purchase goods or services from related parties
- Provides representative examples of how the procurement policy has been applied for related party purchases and how arm's length terms were tested
- Provides a map of anticipated network expenditure and constraints.

This disclosure where required has been audited as part of the annual information disclosure process.

A copy of the full procurement policy and associated guidelines has been provided to the Commerce Commission as required under section 2.3.11 of the ID Determination.

### **Further information**

For further information regarding this disclosure, please contact:

Regulatory Policy Manager  
First Gas Limited  
[compliance@firstgas.co.nz](mailto:compliance@firstgas.co.nz)  
04 979 5368

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## 1. Summary of Firstgas’ related party relationships and transactions

Clause 2.3.8 of the ID Determination requires that:

*“if a GDB has had related party transactions involving a procurement from a related party during that disclosure year, the GDB must publicly disclose a diagram or a description that shows the connection between the GDB and the related parties with which it has had related party transactions in the disclosure year, including for each of those related parties:*

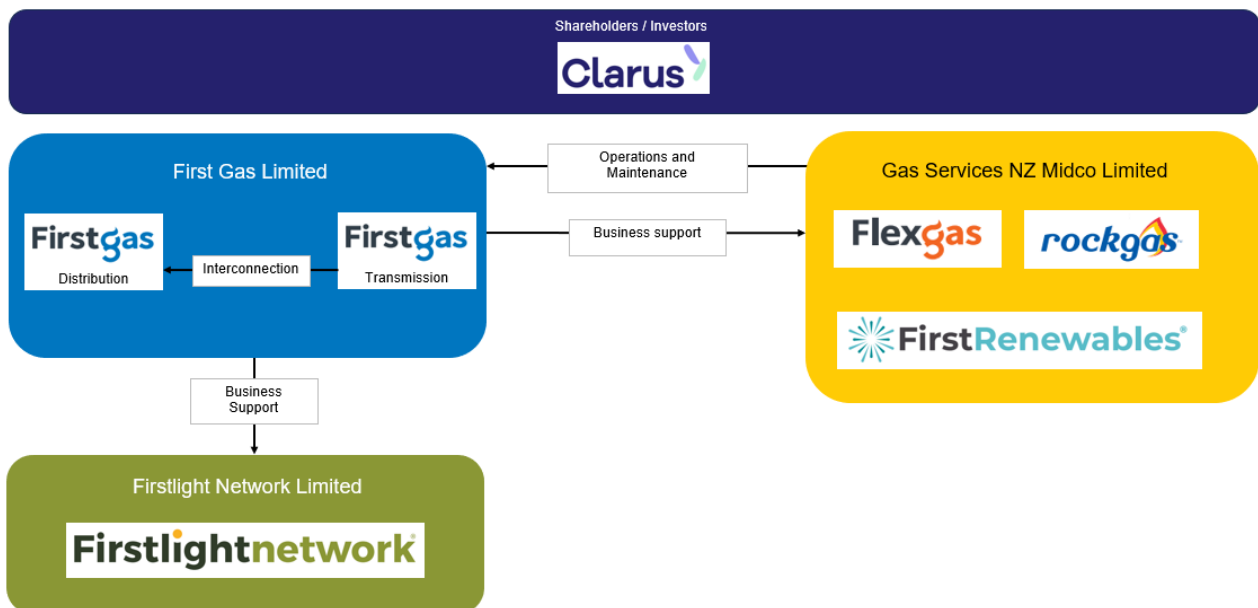
- (1) *the relationship between the GDB and the related party*
- (2) *the principal activities of the related party and*
- (3) *the total annual expenditure incurred by the GDB with the related party.*

In FY2024 Firstgas (distribution):

- procured operations and maintenance (O&M) services from its related party, Gas Services New Zealand (Midco) Limited (GSNZ)
- procured interconnection services from Firstgas (transmission)<sup>2</sup>
- provided business support services and seconded staff to and from GSNZ Midco and Firstlight under a Corporate Functions and Secondment Services Agreement (CFSA). The supply of these unregulated services was valued on an arm’s length basis
- paid Director fees<sup>3</sup>

These transactions are illustrated in Figure 2.

**Figure 2: Related party transactions in disclosure year 2024**



<sup>2</sup> The Firstgas transmission business and Firstgas distribution business are considered related parties for regulatory reporting purposes.

<sup>3</sup> For simplicity, Director fees are not disclosed in Figure 2 or Table 1.

The following table describes the connection between Firstgas (distribution) and its related parties with which it has had transactions with during the 2024 disclosure year. A breakdown of these transactions is also provided in Schedule 5b of our Information Disclosure schedules.

**Table 1: The nature and extent of related party transactions in disclosure year 2024**

Related Party	Nature of relationship	Principle activities of the related party	FY2024 expenditure/revenue between Firstgas (distribution) and its related party
GSNZ Midco	Firstgas (distribution) and GSNZ Midco have the same ultimate shareholders	GSNZ Midco supplies operations and maintenance (O&M) services to Firstgas (distribution).  Services are provided principally to Firstgas under an O&M agreement between Firstgas and GSNZ Midco. Costs are directly attributable to Firstgas (distribution).	Network Capex \$7.3 million  Non-network Capex \$0.1 million  Network Opex \$5.5 million  System operations and network support Opex \$2.4 million
GSNZ Midco	First Gas Limited and GSNZ Midco have the same ultimate shareholders	Firstgas supplies corporate function services to Rockgas and Flexgas and corporate function services and seconds staff to Gas Services under a Corporate Functions and Secondment Services Agreement (the CFSA).	Unregulated income of \$2.7 million is included in Schedule 5b for the provision of corporate function services.  This unregulated income is included in <i>total regulatory income</i> in schedule 5b. This unregulated income is not included in Schedule 2 or Schedule 3. <sup>4</sup>
Firstgas (transmission)	Firstgas (transmission) and Firstgas (distribution) are regulated businesses and have the same ultimate shareholder	Firstgas (transmission) provides transmission services across the North Island, including interconnection services to Firstgas (distribution) and other gas distribution businesses.	System operations and network support Opex of \$0.6 million for interconnection fees to connect Firstgas (distribution) assets to the gas transmission network.
Firstlight	Firstgas and Firstlight have the same ultimate shareholders	Firstlight Network (Firstlight) is the electricity lines company for Tairāwhiti and Wairoa.	Unregulated income of \$0.2 million is included in Schedule 5b for the provision of corporate function services.  This unregulated income is included in <i>total regulatory income</i> in schedule 5b. This unregulated income is not included in Schedule 2 or Schedule 3. <sup>5</sup>

<sup>4</sup> Costs directly attributable to the provision of the unregulated services are removed from the Firstgas regulated accounts. This reduces the level of business support costs remaining that are subsequently allocated to the regulated transmission and distribution businesses.

<sup>5</sup> Costs directly attributable to the provision of the unregulated services are removed from the Firstgas regulated accounts. This reduces the level of business support costs remaining that are subsequently allocated to the regulated transmission and distribution businesses.

### Gas Services (Midco) New Zealand Limited

Gas Services (Midco) New Zealand Limited (GSNZ) and Firstgas are part of the wider Clarus and have the same ultimate shareholders. GSNZ owns Gas Services, a contracting company providing operations and maintenance services. GSNZ Midco also owns

- Flexgas which operates the gas storage facility at Ahuroa;
- Rockgas a supplier of LPG; and
- First renewables a supplier of renewable gas

In the 2024 disclosure year, GSNZ provided 100% of the Firstgas (distribution) total Capex<sup>6</sup> and 63% of all Opex under an Operations and Maintenance agreement (O&M agreement).

Services provided under the O&M agreement include:

- Management of the gas distribution business operations
- Asset management
- Health, safety and environment management
- Land and planning management
- Design and engineering services
- Scheduling and completing field works
- Incident and emergency response
- Provision of non-network assets such as plant and equipment (if required).

Firstgas provides business support services (executive management, finance, HR, IT and procurement services) to GSNZ under the CFSA.

### Operations and Maintenance (O&M) Agreement

Firstgas procures almost all its network Capex, most of its network Opex, and almost all of its system operations and network support (SONS) expenditure from GSNZ Midco. These services are provided by Gas Services in accordance with the terms and conditions of the O&M agreement between Firstgas and GSNZ Midco.

While Firstgas owns the network and non-network assets and provides the gas distribution services across the North Island, under the O&M agreement GSNZ manages the operation of the assets, carries out an agreed Capital and Maintenance works programme, responds to incidents and emergencies and provides system operations and network support services to Firstgas.

When Firstgas' shareholders purchased the gas transmission and distribution businesses in 2016, they wanted to blend specific gas pipeline expertise within the company with fresh thinking from other organisations. The goal was to ensure a continuing development of best practice, efficiency improvements and cost control. A Joint Venture (JV) structure was adopted between GSNZ<sup>7</sup> and Australian gas pipeline services provider OSD (the Gas Services JV) to provide O&M services to Firstgas under an O&M agreement.

The O&M agreement was negotiated an arm's length basis with an independent party (OSD). While the Gas Services JV was still considered a related party (due to the involvement of GSNZ), the role of OSD as third-party operator of the Gas Services JV overcame many of the usual concerns about the discipline on related parties to negotiate balanced arrangements.

<sup>6</sup> GSNZ provides 99% of expenditure on all assets commissioned. The provision of customer contributions by third parties means that total Capex incurred by our regulated business reduces, and the proportion of Capex provided by GSNZ increases to over 100%.

<sup>7</sup> Gas Services New Zealand Limited is the owner of Gas Services New Zealand (Midco) Limited

The O&M agreement has allowed Firstgas to access a broader range of experience and capability for operating our gas pipeline businesses, drawing on the expertise of staff within Firstgas with the international expertise of OSD (particularly in adopting best practices from Australia).

In 2018, GSNZ released OSD from the joint venture. This decision was made to reflect that Firstgas had emerged from the transition phase and significant improvements had been made in project delivery and putting robust processes in place. While this brought an end to the involvement of an independent party in delivering O&M services for Firstgas, the O&M service contract has remained in place (incorporating amendments to reflect the release of OSD).

Costs incurred by Firstgas under the O&M agreement are directly attributable to either the gas transmission or the gas distribution business.

## 2. Summary of Firstgas' procurement policy

Clause 2.3.10 of the ID Determination requires that:

*“if a GDB has had related party transactions involving a procurement from a related party during that disclosure year, the GDB must publicly disclose-*

- (1) a summary of its current policy in respect of the procurement of assets or goods or services from any related party; or*
- (2) a summary of alternative documentation which is equivalent to a procurement policy in respect of the procurement of assets or goods or services from any related party.*

Pursuant to clause 2.3.10(2) this section provides a summary of our procurement policy and guidelines.

Firstgas operates 2,500 kilometres of gas transmission pipelines (including the Maui pipeline), and more than 4,900 kilometres of gas distribution pipelines across the North Island. We require specialist personnel, contractors and materials to operate and manage this extensive network in a safe and reliable manner.

To maximise our cost efficiency while managing our networks, Clarus has an overarching procurement policy. This policy requires that *“Those acting on behalf of Clarus will procure goods and services in a professional and transparent manner doing so using a consistent, effective, fair and ethical approach.”* This policy applies to all employees, consultants and contractors working for any Clarus<sup>8</sup> entity who engage with external providers for the Procurement of Goods or Services.

In this section we summarise the procurement principles that underpin the procurement policy and the procurement methods employed by Clarus. Procurement of goods and services made by GSNZ under the O&M agreement must abide by the Clarus procurement policy.

### Procurement principles

Anyone procuring goods and services for Firstgas must be familiar with and apply the following procurement principles:

- |   |   |
|---|---|
| Be professional and ethical in the sourcing of goods and services | <ul style="list-style-type: none"> <li>- Clarus has long standing relationships and dealings with many valued suppliers, this has been forged over time and you are to ensure your actions should do nothing to compromise the company's reputation.</li> <li>- Priority will be given to those suppliers that share the same or similar values to Clarus, especially relating to the ethical sourcing of materials and mitigation against illegal labour practices.</li> <li>- Be accountable, transparent and reasonable.</li> <li>- Stay impartial – identify and manage conflicts of interest.</li> <li>- Encourage e-business (Tenders via email)</li> </ul> |
| Have an open and fair approach                                    | <ul style="list-style-type: none"> <li>- Create competition and encourage capable suppliers to respond ensuring they are aware of and understand their obligations within the Commerce Act 1986.</li> <li>- Treat all suppliers equally.</li> </ul>   |

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<sup>8</sup> Firstgas Limited, Rockgas Limited, Flexgas Limited, First Renewables Limited, Firstlight Network Limited, Gas Services NZ Limited and any other related companies.



- Ensure the best results for Clarus and the supplier are front of mind, value should be considered but not the dominating factor.
  - Be clear on how you will assess the supplier and what it is they will be measured on.
  - Provide constructive positive feedback with the unsuccessful suppliers for the encouragement towards continuous improvement.
- Be consistent and timeous
- Identify what you need, what you want to achieve and how this will be delivered.
  - Choose the right process – proportional to size, complexity, value and risk.
  - Be realistic on the approach. Is it time valuable for the value or risk?
- Achieve the best and just results
- Set up a team with the right mix of skills and experience.
  - Be innovative and open to change.
  - Understand the market and what is achievable.
  - Have clear and precise performance measures, monitor and manage ensuring the desired results are achieved.
  - Nurture the supplier relationship to make ongoing savings and improvements.

These principles all contribute to producing efficient and effective infrastructure for the long-term benefit of our business and our customers. While we seek competitive outcomes, we believe consumers equally value least-cost over the lifetime of the asset and Firstgas always places the health and safety of our employees and contractors first. For example, we may not select the lowest price quote or tender if the supplier cannot meet our safety and quality standards or if the life-cycle cost of the asset is higher than other options.

### The competitive process

Whilst Clarus encourages competition amongst suppliers through our procurement process, to some extent this is governed by the value of the goods/services to be supplied and the availability of suppliers to meet our needs. This includes being suitably qualified to work on the gas networks.

Low-cost purchases that meet the policy thresholds, will be supported, at a minimum, with quotations from several suppliers.<sup>9</sup> High value works that meet policy thresholds will be supported by an open competitive process such as a request for proposal or invitation to tender where possible. This process is undertaken by GSNZ Midco to meet the requirements under its O&M agreement with Firstgas.

The Policy recognises that in some instances sole sourcing may be the only procurement option available. “Sole sourcing” refers to where a competitive procurement process, such as a tender or quote requests, cannot be used or there would be no benefit from going through a competitive process. This will generally be because only one supplier, to the best of our knowledge and belief, can deliver the required good(s) and/or

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<sup>9</sup> If the purchase is less than \$10,000 only one quote need be obtained.

service(s). In the relatively specialised field of gas distribution operations and maintenance, this is not an uncommon situation.

Other typical reasons for selecting sole sourcing include:

- **Availability / workload within pool of approved suppliers:** Particularly with professional services where we have already negotiated rates and have a pool of 3 – 5 suppliers. To ensure that work is allocated to avoid resource conflict, it may be acceptable to sole source smaller projects
- **Exclusivity:** Where Firstgas is already committed to an exclusive contract for the procurement of such goods or services for a set time (for example the O&M Agreement with GSNZ)
- **OEM / Warranty arrangement:** Where sole source is required contractually.

The sole sourcing procurement option requires formal justification and approval in line with delegated authorities.

#### Monitoring and compliance

The Clarus procurement team is responsible for monitoring compliance with the procurement policy for Firstgas and reporting any breaches of the policy to the Executive. The procurement team will undertake reviews of Clarus' procurement activity especially around the compliance with the policy and the application of procurement processes. Reviews may include review of the procurement process undertaken by GSNZ acting on the behalf of Firstgas under the O&M agreement.

Failure within Clarus to comply with the provisions of the procurement policy is a breach of an employee's Code of Conduct & Performance & Conduct Policy. Any instances of reported non-compliance will be investigated and may lead to disciplinary action.

Clarus has a whistle blower policy that provides an avenue for employees to raise concerns about misconduct or wrongdoing. Misconduct or wrongdoing includes failure to abide by the procurement policy and enables anyone to report identified breaches of the policy.

### 3. Application of the procurement policy

Clause 2.3.12 of the ID Determination requires that:

*“if a GDB has had related party transactions involving a procurement from a related party during that disclosure year, the GDB must publicly disclose-:*

- (1) a description of how the GDB applies its current policy for the procurement of assets or goods or services from a related party in practice*
- (2) a description of any policies or procedures of the GDB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the gas distribution services*
- (3) subject to subclause (5), at least one representative example transaction from the disclosure year of how the current policy for the procurement of assets or goods or services from a related party is applied in practice*
- (4) for each representative example transaction specified in accordance with subclause (3), how and when the GDB last tested the arm’s-length terms of those transactions and*
- (5) separate representative example transactions where the GDB has applied the current policy for the procurement of assets or goods or services from a related party significantly differently between expenditure categories.*

Pursuant to clause 2.3.12 (1), the following section describes how Firstgas (distribution) has applied the Clarus procurement policy in respect of the procurement of goods or services from a related party.

In the 2024 disclosure period, Firstgas (distribution) has procured goods and services from:

- GSNZ Midco under the O&M agreement
- Firstgas (transmission) under an agreement for interconnection services.

The section considers the procurement of goods and services under the O&M contract and the purchase of services from Firstgas (transmission).

#### 3.1 Purchase of Opex and Capex services from our related party GSNZ

The procurement policy puts emphasis on making decisions to achieve the best outcomes for Firstgas and its customers whilst keeping our staff, contractors, and assets free from harm. We manage long-life assets and require specialist personnel, contractors, and materials to operate and manage this extensive network in a safe and reliable manner.

Under the O&M agreement, Firstgas has contracted GSNZ Midco to manage the operational functions, maintain the network assets, implement, and feed into the Asset Management Plan (AMP) and provide system operations and network support functions. From time to time, Firstgas may also procure non-network assets from GSNZ Midco. These assets are provided under the service agreement as they relate to the ongoing maintenance of the distribution network or management of the assets on the distribution network. GSNZ Midco acts on behalf of Firstgas when project managing and purchasing required goods and services in the course of carrying out its responsibilities under the O&M agreement.

As discussed above, our first step in ensuring we are achieving the best for our customers and businesses was to enter into an Operations and Maintenance (O&M) agreement.

The O&M agreement (first with the GSNZ Joint Venture and now with GSNZ) provides a range of expertise and experience guiding and supporting our distribution business. This expertise and experience is vital in maintaining and expanding the network and also in the planning process both annually and long-term.

Provisions within the O&M agreement align with Firstgas procurement principles to ensure on-going value of the agreement to our customers. These include:

- Planning to ensure O&M works plans align with Firstgas requirements efficiently and in a cost-effective manner. This may include benchmarking of costs to ensure the O&M agreement continues to meet efficiency targets and is compliant with the related party rules for regulated businesses
- Service level agreements including a range of key performance indicators that are linked to payments
- Provisions around meeting stringent safety standards.

The O&M agreement has been provided to our auditors, who are also our independent appraiser<sup>10</sup>, to confirm the terms are consistent with an arm's length transaction and to facilitate the audit of this section of our information disclosure.

The annual process for the O&M agreement includes:

- Planning
- Challenge and benchmarking process
- Execution of works including monitoring and reporting
- Completion of works.

At the end of each year, Firstgas conducts an annual review of the process.

### **Planning**

Planning is an important part of the procurement process. It determines the anticipated work plan for the year and highlights resource requirements, whether they be personnel or materials.

Each year Firstgas management work with the Chief Operations Officer (COO) of GSNZ Midco to develop and update the long-term Asset Management Plan (AMP). The AMP provides the asset management framework for Firstgas' distribution network and includes guidance on the expected annual works plan. The AMP is reviewed and approved by Firstgas management and Board of Directors.

The AMP is part of the long-term planning for the distribution network. It supports the Firstgas business plan and the operations and maintenance (O&M) plan. GSNZ Midco provides Firstgas with the long-term O&M plan to meet the network development and maintenance section of the business plan. The O&M plan includes indicative resourcing and costings and works plans. This must be agreed by both parties and the O&M agreement outlines the resolution process.

The COO of GSNZ Midco provides a budget to Firstgas to complete the annual works plan as required under the O&M agreement.

### **Challenge and benchmarking process**

While GSNZ is a related party of Firstgas, the O&M agreement is a commercial arrangement structured as if it was between two separate legal entities, with different ownership interests, and operating on an arm's length basis. Each party acknowledges that a key objective of Firstgas in appointing GSNZ Midco to deliver the O&M is to ensure value for money and continuous improvement in delivery and value.

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<sup>10</sup> An independent appraiser was engaged to confirm the valuation of related party transactions met the Information Disclosure Determination requirements for our FY2022 disclosures. The independent appraiser report is included in our information disclosure for FY2022, available on the Firstgas website: [FY2022 GDB Information disclosure for related parties](#). Firstgas was not required to obtain a further independent appraiser report for our FY2023 or FY 2024 disclosures.

In practice, this means that Firstgas may accept in full or challenge any part of the budget provided by GSNZ. Firstgas may subject all or part of the annual budget to a benchmarking procedure undertaken by an independent expert.

The Benchmarker will:

- Compare the O&M Services and Service Fee, including the component parts of the Service Fee, with the services, charges and margins being obtained under other similar service contracts in New Zealand and/or good international market services, charges and margins for third parties
- Assess, in light of this comparison, whether:
  - The scope of the O&M Services being provided is necessary to meet the Service Standards, and
  - The Service Fee, including the component parts of the Service Fee, is market competitive and otherwise meets the Information Disclosure Determination requirements.

To confirm there has been no material change in the five-year average margin on costs applied under the O&M agreement we had an independent expert confirm the margin on costs under the O&M agreement remain aligned with comparative third-party service providers in October 2022<sup>11</sup>. To support the conclusion that our related party transactions are no more than would be incurred under an arm's-length basis we updated our benchmarking of costs against other industry participants at that time, where more information has been available.

Under the O&M agreement, we anticipate that the prices charged by GSNZ will not change significantly from year to year (unless there is strong evidence that input costs have permanently changed). This is consistent with a competitive market where companies with long-term contracts in place (such as the O&M agreement and CFSA) tend to set prices for longer terms. This gives service providers greater certainty to invest in staff and equipment required to fulfil the contract terms over the duration of the contract. When the margins earned by GSNZ Midco under the O&M agreement were reviewed for FY2022, Firstgas engaged independent experts to:

- Confirm the margin charged by GSNZ under the O&M agreement was within the range of providers of similar services; and
- Cross-check that GSNZ costs remain efficient and consistent with the input prices Firstgas would have paid in an arm's length transaction by completing benchmarking against others in the industry.

Whilst we do not anticipate GSNZ would need to significantly change prices within the contract period, we recognise that the onus remains on Firstgas to ensure that costs from related party transactions remain consistent with input prices that we would have paid in an arm's length transaction. The Commission has noted that there is some risk that long-term contracts can become out of date with current market practices and prices and Firstgas has actively considered this risk through our benchmarking process this year.

For FY2024, our O&M agreement remains aligned with current market practices and prices. This was tested in September 2022 when we engaged an independent expert to:

- Consider changes in market practices or pricing for similar services and how this may affect arm's length margins
- Conduct a sample of relevant margin data to ensure no substantive and permanent change has occurred in the market since margins were established under the O&M Agreement for FY2022.

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<sup>11</sup> As noted above, prices for the work procured under the O&M Agreement is agreed on or before the beginning of the financial year. Our financial year begins on 1 October.

Whilst there was some evidence of lower margins due to COVID-19 for some of the sample group, there had not been a substantive or permanent change evidenced in the market. Overall, the margins within the O&M agreement remained aligned with the market.

Firstgas continued to cross-check that our costs remain efficient and consistent with the input prices Firstgas would have paid in an arm's length transaction by completing benchmarking against others in the industry. Benchmarking was updated in December 2024 where further information was available. This benchmarking confirmed expected costs for Firstgas (distribution) are within the range of costs incurred by others in the industry.

### **Execution of works including monitoring and reporting**

Once the O&M budget has been agreed, GSNZ Midco undertake responsibility to complete the works to the service level required. Significant large-scale projects are managed by the GSNZ Midco projects team. Projects of this nature often require additional resources and expertise. GSNZ Midco will source services and materials as required and in line with the Firstgas procurement policy.

The COO of GSNZ Midco reports monthly to Firstgas on progress against the works plan and budget for services provided under the O&M agreement. From time-to-time works may be required by Firstgas that are outside of the budgeted plan. Any change to the annual work plan is negotiated between GSNZ Midco and Firstgas. Any additional remedial works GSNZ Midco recommend are either included in the current year's workplan, with agreement from Firstgas or included in the annual works budget for following years.

The costs GSNZ incurs undertaking the responsibilities of the O&M agreement are charged to Firstgas monthly and include a commercial mark up to enable a modest commercial profit. As discussed above, benchmarking undertaken and reviewed for the FY2022 disclosures has confirmed the mark-up applied is aligned with those of providers of similar services within Australasia, the United Kingdom and United States.

### **Completion of works**

The completion of works is managed within GSNZ Midco. GSNZ Midco will process any project close out documentation and update maintenance records within Firstgas information systems. If the project was a Capex project, Firstgas will capitalise the project once GSNZ notifies that the assets have been commissioned.

## **3.2 Purchase of services from Firstgas (transmission)**

Firstgas (transmission) provides interconnection services to several parties who seek to connect or are already connected to the gas transmission system. These parties are commonly referred to as "Interconnecting Parties" (IPs) and include gas distribution businesses, large industrial consumers, power stations and gas producers.

Firstgas (transmission) maintains an Interconnection Policy that explains how it will facilitate new interconnections with the transmission system and sets out some of the key ongoing terms of interconnection. In most circumstances, Firstgas (transmission) will charge an IP certain fees to recover the cost of building, operating, and maintaining a new interconnection or associated equipment.

Firstgas' transmission business has an interconnection agreement with Firstgas distribution business<sup>12</sup>. Under that agreement, Firstgas transmission charges Firstgas' distribution business (GDB) a daily interconnection fee for:

- The upgrade work that was undertaken on the Horotiu Delivery Point (a transmission asset) in 2018

<sup>12</sup> In FY2021 (3 March 2021), Firstgas Transmission and Distribution signed an Amending Agreement under their ICA to provide for a new delivery point at Tauriko, to be commissioned in FY2022.

- The new Delivery Point at Waiuku commissioned in FY2020.
- The new Delivery Point at Tauriko commissioned in FY2023

The interconnection fees applied for Firstgas (distribution) were calculated using the same model that is applied for any other interconnected distribution business. All interconnections to the transmission network are governed by the terms of Firstgas' GTB Interconnection Policy. This Policy is available on the OATIS website.<sup>13</sup> The interconnection policy specifically states that:

"Firstgas will deal with all IPs on an arm's length basis and not prefer or give any priority to any IP except as expressly provided for in the Gas Transmission Code."

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<sup>13</sup> <https://www.oatis.co.nz/Ngc.Oatis.UI.Web.Internet/Common/Publications.aspx>.



#### 4. Policies that require consumers to purchase goods or services from Firstgas' related parties

Section 2.3.12 of the ID Determination requires that:

*within 6 months after the end of each disclosure year, if a GDB has had related party transactions involving a procurement from a related party during that disclosure year, the GDB must publicly disclose-*

- (2) *a description of any policies or procedures of the GDB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the gas distribution services;*

To work on or near Firstgas' distribution network, a contractor must be deemed competent and authorised to complete the work undertaken to meet operating standard requirements. This is specialised work and, in most instances, Gas Services (a part of GSNZ Midco) provides authorised personnel and completes any work up to the ICP on the distribution network.

From time to time we may require customers to contribute to the cost of development work in the form of a capital contribution. In effect, in these instances, customers are required to use our related party, Gas Services, to complete the works. Our capital contribution policy is available from the Firstgas website at <https://firstgas.co.nz/about-us/regulatory/distribution/>.



## 5. Representative examples of how the procurement policy is applied

### 5.1 Regulatory requirements

Section 2.3.12 of the ID Determination for our GDB specifies that:

*within 6 months after the end of each **disclosure year**, if a **GDB** has had **related party transactions** involving a procurement from a **related party** during that **disclosure year**, the **GDB** must **publicly disclose**-*

- (3) subject to subclause (5), at least one representative example transaction from the **disclosure year** of how the current policy for the procurement of assets or goods or services from a **related party** is applied in practice;*
- (4) for each representative example transaction specified in accordance with subclause (3), how and when the **GDB** last tested the arm's-length terms of those transactions; and*
- (5) separate representative example transactions where the **GDB** has applied the current policy for the procurement of assets or goods or services from a **related party** significantly differently between expenditure categories.*

### 5.2 Representative examples

Firstgas has had two related party transactions involving procurement in FY2024:

- Procurement of O&M services from GSNZ Midco
- Procurement of interconnection services from Firstgas (transmission)

Firstgas sources a range of services from GSNZ Midco, particularly from gas services, to manage the network operations and complete the work plan. GSNZ Midco applies the Clarus procurement policy for all expenditure under the O&M agreement. This is summarised in the table 2 followed by a separate representative example of the procurement process.

Firstgas (distribution) purchases interconnection services from Firstgas (transmission). The purchase of these services has been completed under the Clarus procurement policy. Our approach to testing the arm's length terms for this transaction is included separately in Table 2.

All agreements, methodologies and models, and reports from external parties have been provided to our auditors to facilitate their review of our related party transactions in FY2024 and this disclosure.

**Table 2: Representative example transactions of costs in Schedule 5b**

Expenditure category	Representative example	Procurement method	How and when were the arm's length terms last tested
<p>All network Capex categories</p> <p>All network Opex categories</p> <p>Non-network assets</p>	<p>Network Opex and Capex and system operations and network support across the network.</p> <p>We provide examples below of procurement undertaken by GSNZ Midco on our behalf under the O&amp;M agreement</p>	<p>Direct procurement from a 'sole supplier' under the existing O&amp;M agreement.</p>	<p>The arm's length terms were tested as part of a benchmarking process that was undertaken during the 2022 disclosure year. In FY2022 Firstgas engaged an independent expert to benchmark:</p> <ul style="list-style-type: none"> <li>• The margins applied to the costs of O&amp;M services provided by GSNZ Midco to Firstgas</li> <li>• Total service costs against comparable businesses.</li> </ul> <p>The margin benchmarking compared services supplied by GSNZ Midco to companies providing similar services across the United Kingdom, United States, Australia, and New Zealand. Total costs were compared to similar companies in Australia.</p> <p>Margin benchmarking was reviewed in September 2022 to confirm there had not been any substantive and permanent change in the market when agreeing prices in advance of the two year contract term. With no discernible permanent change indicated, the same margins were applied in FY2023 and FY2024 as applied in FY2022.</p> <p>Benchmarking performed in FY2024 against comparable businesses indicated that Firstgas costs are aligned with our peers and the wider market. This demonstrates that the cost of the underlying service is consistent with the input price that Firstgas would have paid in an arm's length transaction.</p> <p>Terms of the O&amp;M agreement were provided to our auditors in FY2024 as part of their review of the related party valuation requirements. There has been no change to the O&amp;M agreement across years.</p> <p>Benchmarking was undertaken with the permission of GSNZ Midco. Benchmarking is allowed for under the O&amp;M agreement.</p> <p>Terms of the O&amp;M agreement, advice from the independent expert and benchmarking results were provided to our auditors as part of their review of the related party valuation requirements.</p>

Expenditure category	Representative example	Procurement method	How and when were the arm's length terms last tested
System operations and network support	Interconnection agreements recognising increased or new investment by the transmission business at a delivery point driven by the needs of a distribution customer	Direct procurement from a 'sole supplier' under an interconnection agreement.  Firstgas (transmission) is the sole supplier of gas transmission services in New Zealand	<p>Interconnection agreements are standard agreements available to all parties connecting to the Transmission network. Third parties purchase the same or substantially similar services from Firstgas (transmission) on substantially the same terms, including price.</p> <p>Whilst there are no set prices for interconnection fees, there is a consistent methodology for establishing the fees under an interconnection agreement. The fees for each connection point reflect:</p> <ul style="list-style-type: none"> <li>• The specific details on each site seeking to be connected to the gas transmission network</li> <li>• The interconnection fees policy in place at the time</li> </ul> <p>The value at which the services are provided to Firstgas (distribution) were established using the same methodology that is used for all other unrelated interconnected parties.</p> <p>Firstgas (distribution) tested the value for both interconnection agreements against the Firstgas (transmission) Interconnection policy to ensure the terms and conditions were reflective of that policy when agreeing the terms and fees of the interconnection.</p>

### 5.3 Examples of procurement undertaken by GSNZ Midco on our behalf

Firstgas procures a range of services from GSNZ Midco. These services may have different characteristics and involve different procurement choices within the policy to suit the work undertaken. The process will remain consistent with the project management and reporting requirements within GSNZ Midco and with monthly reporting against the budget and works plan provided to the Firstgas executive team.

A service agreement (SA) is in place with Electrix. While Firstgas may still elect to tender works, generally Electrix will be the preferred supplier and most network Opex and Capex is completed under the SA.

GSNZ Midco acting on behalf of Firstgas and Electrix work closely together to provide the services required by Firstgas. GSNZ Midco does not have the extensive personnel required to cover the distribution network effectively. Electrix can provide field service staff across our network for maintenance and Capex works and respond to incidents and emergencies quickly. Electrix may also act as project managers, especially where it is a long-term programme of work being undertaken with limited other resources being required. Electrix field services teams liaise with GSNZ Midco's distribution manager and project management team. The distribution manager monitors Electrix performance against key performance indicators outlined in the SA. Any project management is overseen by the GSNZ Midco project management team. Any technical queries are answered by GSNZ Midco's engineering specialists, or consultants approved by GSNZ Midco.

The SA with Electrix was renewed in FY2022.

#### Major projects

All projects are managed ultimately by GSNZ Midco. The project delivery manager is responsible for delivering project work from the project approval and front-end engineering design (FEED) through to the final delivered and commissioned project. The project delivery manager will work closely with the Electrix project manager throughout the process.

GSNZ Midco will develop the initial FEED including the scope and expected cost of the project for approval by the Chief Operating Officer (COO). Projects outside of the budget or with significant cost may require a full business case and further approval from Firstgas' Chief Executive and Board.<sup>14</sup> Electrix will provide information on expected costs.

Major projects are often long-term in nature, complex in design and may require more extensive procurement requirements. Due to the typically large amount of dedicated and varied resources required, segments of the project may be subcontracted by GSNZ Midco. Larger projects generally are higher in costs and may require more extensive procurement processes under the Clarus procurement policy. For example, there may be several tenders of work for different stages or requirements of the project.

A GSNZ Midco project manager will be assigned to oversee the project, manage the flow of work, work orders and purchase orders used to track expenditure. The project manager will also ensure suppliers are paid in the time frame specified in any procurement contract for materials or services. Progress is reported to GSNZ management. Progress on major projects may be reported to Firstgas at established intervals.

A formal project close-out process occurs on completion of the project. The project Pre-75 Replacement, Greenwood St, Hamilton is provided to illustrate the delivery of major projects by GSNZ Midco under its O&M contract with Firstgas, including the application of our procurement policy.

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<sup>14</sup> Firstgas has a Delegations of Authority policy that outlines approval levels.

### Example 1: Pre-75 Replacement, Greenwood St, Hamilton

The pre-75 replacement, Greenwood St, Hamilton project is to replace approximately 700 meters of 50mm PE line (~600 metre on Ellis St and ~100 metre on Greenwood St) and decommission ~160 meters of 80mm CS ~165 metres of pre-75 pipeline at Greenwood St to ensure supply continuity to connected customers.

Firstgas has a strategy to respond to the Pre-85 and 75 pipeline issues. The strategy provides the methodology to prioritise the pipeline sections that are required to be replaced. AMP 2023 sets out how continuation of the pre 85/75 replacement programme was one of the significant activities for FY2024. The pre-75 replacement, Greenwood St, Hamilton project was undertaken as part of this programme.

<b>Project name:</b>	Pre-75 Replacement, Greenwood St, Hamilton
<b>Project date</b>	The business case was approved in May 2024 and the project was commissioned in November 2024.
<b>Project or work order number:</b>	P11907
<b>Project expenditure (estimated)</b>	\$0.456 million
<b>Project cost type</b>	Network Capex
<b>Project managed by:</b>	GSNZ Midco provided oversight of the project under the O&M agreement.
<b>Subcontractors:</b>	Electrix managed the delivery of the project, with free issued materials from Firstgas and the experienced personnel required. Works were completed under the terms and rates specified in the service agreement between Firstgas and Electrix.

#### Planning:

A business case for the works was submitted in April 2024 and was based on a quoted cost supplied by Electrix for the scope of work.

This project was approved by the Chief Operating Officer in May 2024. The project was undertaken as part of the Pre 85/75 replacement programme set out in AMP 2023.

#### Completion of works:

Electrix was responsible for the day-to-day project management of the site works. The project remained under the oversight of GSNZ Midco, and any technical queries were answered by its engineers. Once the project began, project costs were paid and tracked within the financial system after being approved by the GSNZ project manager. Project costs and progress were monitored by the GSNZ project team and reported to the Chief Operating Officer for GSNZ and the Firstgas Executive team monthly.

#### Market testing:

The works are sole sourced to Electrix on the basis that, while the contract with Electrix provides the ability to tender, we are happy with the service being provided and need to ensure their resource levels are maintained through provision of workload for the workforce. The pre 75/85 PE pipe replacement project will continue for several years and Electrix are committed to providing resources to meet this programme.

There is currently no alternative contractor that is Firstgas approved in the Waikato region to complete these works without completing the approval process and associated contracts.

#### Outcomes:

The project was commissioned in November 2024 within budget.

## 6. Map of anticipated network expenditure and constraints

Section 2.3.13 of the ID Determination requires that:

*within 6 months after the end of each disclosure year, where a GDB has had related party transactions involving a procurement from a related party during that disclosure year, the GDB must publicly disclose a map of its gas distribution service territory, which includes-*

*(1) subject to clause 2.3.15, a brief explanatory description of the 10 largest forecast operational expenditure projects in the AMP planning period and the likely timing, value and location of the projects;*

*(2) subject to clause 2.3.15<sup>15</sup>, a brief explanatory description of the 10 largest forecast capital expenditure projects in the AMP planning period and the likely timing, value and location of the projects;*

*(3) subject to clause 2.3.16, a brief explanatory description of possible future network or equipment constraints and their location, where the responses to the constraints would involve one of the 10 largest future operational expenditure projects in the AMP planning period; and*

*(4) subject to clause 2.3.16, a brief explanatory description of possible future network or equipment constraints and their location, where the responses to the constraints would involve one of the 10 largest future capital expenditure projects in the AMP planning period.*

Section 2.3.14 further specifies the map must:

*(1) identify whether the forecast or possible operational expenditure or capital expenditure is-*

*(a) already subject to a contract and, if so, whether that contract is with a related party;*

*(b) forecast to require the supply of assets or goods or services by a related party; or*

*(c) currently not indicated for supply by a related party; and*

*(2) be consistent with the AMP information specified in-*

*(a) clause 14.4.4 of Attachment A on network or equipment constraints; and*

*(b) clause 14.6 of Attachment A on the network development programme.*

The largest Opex activities and Capex projects in the AMP planning period are provided below. Further information is available in the annual AMP or AMP update available on the Firstgas website.<sup>16</sup>

### Largest Opex activities

Firstgas does not have specific Opex projects planned for the period. Instead we have provided the total Opex expenditure. Where it has been possible, we have specified the level of Opex allocated to each region within our network. Figure 3 sets out the location of the planned Opex spend, with greater detail in Table 3. All network Opex and system operations and network support Opex, is forecast to be completed by our

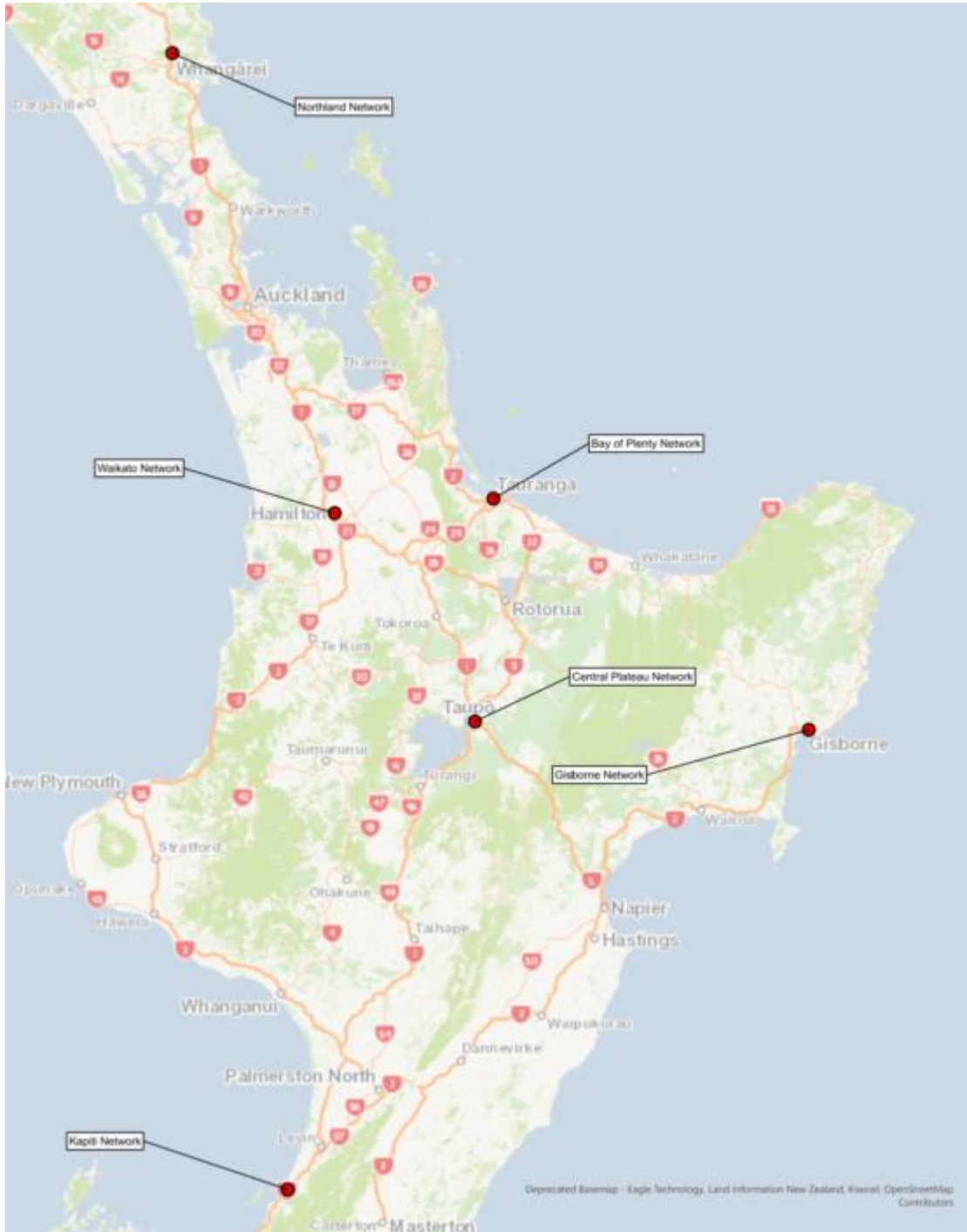
<sup>15</sup> Sections 2.3.15 and 2.3.16 of the ID Determination recognises that there may be less than 10 forecast Opex or Capex projects in the AMP planning period. If this occurs, all projects must be included.

<sup>16</sup> <https://firstgas.co.nz/about-us/regulatory/distribution/>

related party, Gas Services New Zealand Midco Limited (GSNZ) under the Operations and Management (O&M) agreement between Firstgas and GSNZ.

Currently no network constraints have been identified that will result in Opex between FY2025 and 2034.

**Figure 3: Largest Opex projects in the AMP planning period**





**Table 3: Description of Opex in the AMP planning period (2025-2034)**

Project	Description	Region	Cost (constant\$)	Period
SIE	Activities related to attending service interruptions and emergencies	Waikato Bay of Plenty Central Plateau Kapiti Northland Gisborne	SIE \$12.3	RY2025-RY2034
RCMI	Routine corrective maintenance and inspection activities on the distribution network	Waikato Bay of Plenty Central Plateau Kapiti Northland Gisborne	RCMI \$34.4	RY2025-RY2034

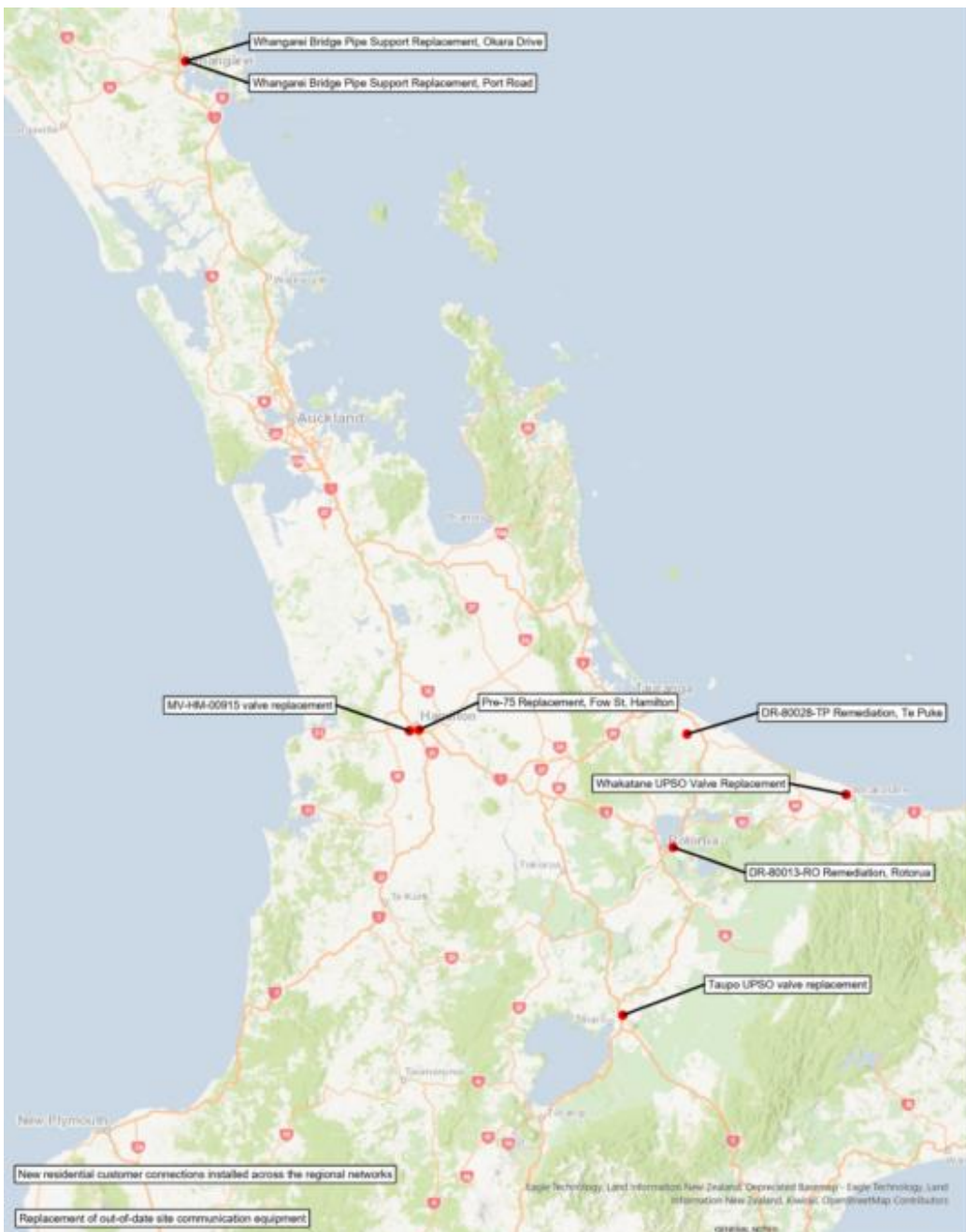


### Largest Capex projects

The high-level heat map provided in Figure 4 shows the largest Capex projects we have planned for the next ten years (FY2025 to FY2034) with greater detail in Table 4. The identified projects are all network Capex.

Network Capex is forecast to be completed by our related party, Gas Services New Zealand Midco Limited (GSNZ) under an operations and management (O&M) agreement between Firstgas and GSNZ. GSNZ manages a number of third-party contractors to deliver this network Capex. Figure 4 depicts our anticipated significant planned expenditure during the planning period. It is a snapshot in time, with the information we have available, and may change. As we progress into the 10-year plan, we will develop the activities according to our processes to develop more accurate forecasts and delivery schedules. Where the identified projects include some reinforcement work, there may be possible future network or equipment constraints. Currently no such constraints have been identified

**Figure 4: Largest Capex projects in the AMP planning period**



**Table 4: Description of the largest Capex projects in the AMP planning period (2025-2034)**

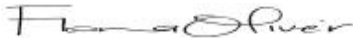
Project	Description	Region	Cost (constant \$)	Period
Customer connections	New residential customer connections installed across the regional networks.	System Wide	\$21m	RY2025-RY2034
Cello Replacement	Replacement of out-of-date site communication equipment	System Wide	\$718k	RY2025-RY2034
Pressure shut off valve replacement	Taupo UPSO valve replacement	Waikato	\$514k	RY2025-RY2034
Pre-75 pipe replacement	Pre-75 Replacement, Fow St, Hamilton	Waikato	\$224k	RY2025-RY2034
Pipeline bridge support replacement	Whangarei Bridge Pipe Support Replace, Port Road	Northland	\$198k	RY2025-RY2034
Pipeline bridge support replacement	Whangarei Bridge Pipe Support Replace – Okara Drive	Northland	\$195k	RY2025-RY2034
District regulator station replacement	DR-80013-RO Remediation, Rotorua	Bay of Plenty	\$198k	RY2025-RY2034
Valve replacement	MV-HM-00915 valve replacement	Waikato	\$130k	RY2025-RY2034
Pressure shut off valve replacement	Whakatane UPSO Valve Replacement	Bay of Plenty	\$176k	RY2025-RY2034
District regulator station replacement	DR-80028-TP Remediation, Te Puke	Bay of Plenty	\$164k	RY2025-RY2034

## Certification for Year-end Disclosures

### Clause 2.9.3

We, Fiona Ann Oliver and Mark Adrian Ratcliffe, being directors of First Gas Limited, certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) The information prepared for the purposes of clauses 2.3.1, 2.3.2, 2.4.21, 2.4.22, 2.5.1, 2.5.2 and 2.7.1 of the *Gas Distribution Information Disclosure Determination 2012* in all material respects complies with that determination
- b) The historical information used in the preparation of Schedules 8, 9a, 9b, 9c, 9d, 10a, 10b and 14 has been properly extracted from the First Gas Limited's accounting and other records sourced from the applicable financial and non-financial systems, and that sufficient appropriate records have been retained and
- c) In respect of information concerning assets, costs and revenues valued or disclosed in accordance with clause 2.3.6 of the *Gas Distribution Information Disclosure Determination 2012* and clauses 2.2.11(1)(g) and 2.2.11(5) of the *Gas Distribution Services Input Methodologies Determination 2012*, we are satisfied that:
  - i. the costs and values of assets or goods or services acquired from a related party comply, in all material respects, with clauses 2.3.6(1) and 2.3.6(3) of the *Gas Distribution Information Disclosure Determination 2012* and clauses 2.2.11(1)(g) and 2.2.11(5)(a)-2.2.11(5)(b) of the *Gas Distribution Services Input Methodologies Determination 2012* and
  - ii. the value of assets or goods or services sold or supplied to a related party comply, in all material respects, with clause 2.3.6(2) of the *Gas Distribution Information Disclosure Determination 2012*.



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Director: Fiona Ann Oliver



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Director: Mark Adrian Ratcliffe

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Date: 18 February 2025

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Date: 18 February 2025



## Independent Assurance Report

To the Directors of First Gas Limited and the Commerce Commission

### Assurance report pursuant to Gas Distribution Information Disclosure Determination 2012

#### Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance of First Gas Limited (the "Company") with the Gas Distribution Information Disclosure Determination 2012 amended as of 3 April 2018 (the "Information Disclosure Determination") for the disclosure year ended 30 September 2024 where we are required to opine on:

- whether the Company has complied, in all material respects, with the Information Disclosure Determination, in preparing the information disclosed under schedules 1 to 4, 5a to 5g, 6a and 6b, 7, 10a(ii), the related party transactions information disclosed in Appendix A, and the explanatory notes disclosed in boxes 1 to 11 in Schedule 14 ("the Disclosure Information"); and
- whether the Company's basis for valuation of related party transactions ("valuation of related party transactions"), has complied, in all material respects, with clause 2.3.6 of the Information Disclosure Determination and clauses 2.2.11(1)(g) and 2.2.11(5) of the Gas Distribution Services Input Methodologies Determination 2012 ("the Input Methodologies Determination")

In our opinion, in all material respects:

- as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Disclosure Information have been kept by the Company;
- as far as appears from an examination, the information used in preparation of the Disclosure Information has been properly extracted from the Company's accounting and other records and has been sourced, where appropriate, from the Company's financial and non-financial systems;
- the Disclosure Information complies with the Information Disclosure Determination; and
- the basis for valuation of related party transactions complies with the Information Disclosure Determination and the Input Methodologies Determination.

#### Basis for Opinion

We have conducted our engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements* ("SAE 3100 (Revised)"), issued by the New Zealand Auditing and Assurance Standards Board. An engagement conducted in accordance with SAE (NZ) 3100 (Revised) requires that we comply with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our assurance approach

##### Overview

Our assurance engagement is designed to obtain reasonable assurance about the Company's compliance, in all material respects, with the Information Disclosure Determination and Input Methodologies Determination.

Quantitative materiality levels are determined for testing purposes within individual schedules included in the Disclosure Information based on the nature of the information set out in the schedules.



These thresholds are determined based on our assessment of errors that could have a material impact on key measures within the Disclosure Information:

- Financial information – any impact resulting in +/-100 basis points of the Return of Investment ('ROI')
- Performance based schedules – 5% of the individual measure
- Related party transactions – 2% of total related party transactions.

When assessing overall material compliance with the Information Disclosure Determination, qualitative factors are considered such as the combined impact on ROI and other key measures as well as assessing the arm's length valuation rules on related party transactions, which may impact on users' assessment on whether the purpose of Part 4 of the Commerce Act 1986 has been met.

We have determined that there are three key assurance matters:

- Regulatory Asset Base
- Cost and Asset Allocation
- Related Party Transactions

**Materiality**

The scope of our assurance engagement was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our assurance engagement, the nature, timing and extent of our assurance procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Disclosure Information as a whole.

**Scope**

Our procedures included analytical procedures, evaluating the appropriateness of assumptions used and whether they have been consistently applied, agreement of the Disclosure Information to, or reconciling with, source systems and underlying records, an assessment of the significant judgements made by the Company in the preparation of the Disclosure Information and valuing the related party transactions, and evaluation of the overall adequacy of the presentation of supporting information and explanations.

These procedures have been undertaken to form an opinion as to whether the Company has complied, in all material respects, with the Information Disclosure Determination in the preparation of the Disclosure Information for the disclosure year ended 30 September 2024, and whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

**Key Assurance Matters**

Key assurance matters are those matters that, in our professional judgement, were of most significance in carrying out the assurance engagement during the current disclosure year. These matters were addressed in the context of our assurance engagement as a whole, and in forming our opinion. We do not provide a separate opinion on these matters.

Key Assurance Matter	How our procedures addressed the key assurance matter
<p><b>Regulatory asset base</b> The Regulatory Asset Base (RAB), as set out in Schedule 4, reflects the value of the Company's gas</p>	<p>We have obtained an understanding of the compliance requirements relevant to the RAB as set out in the Information Disclosure Determination and the Input Methodologies Determination.</p>



Key Assurance Matter	How our procedures addressed the key assurance matter
<p>distribution assets. These are valued using an indexed historic cost methodology prescribed by the Information Disclosure Determination. It is a measure which is used widely and is key to measuring the Company's return on investment and therefore important when monitoring financial performance.</p> <p>The RAB inputs, as set out in the Input Methodologies Determination, are similar to those used in the measurement of fixed assets in the financial statements, however, there are a number of different requirements and complexities which require careful consideration.</p> <p>Due to the importance of the RAB within the regulatory regime, the incentives to overstate the RAB value, and complexities within the regulations, we have considered it to be a key assurance matter.</p> <p><b>Cost and Asset Allocation</b> The Determination relates to information concerning the supply of gas distribution services. The Company operates both distribution and transmission businesses and also provides other unregulated services. As set out in schedules 5d, 5e, 5f and 5g, costs and asset values that relate to gas distribution services regulated</p>	<p>Our procedures over the RAB included the following:</p> <p><b>Assets commissioned</b></p> <ul style="list-style-type: none"> <li>• We considered the nature of the assets commissioned during the period, as per the regulatory fixed asset register, to identify any specific cost or asset type exclusions, as set out in the Determination, which are required to be removed from the RAB;</li> <li>• We reconciled the assets commissioned, as per the regulatory fixed asset register, to the asset additions per the audited accounting records and investigated any material reconciling items; and</li> <li>• We tested a sample of assets commissioned during the disclosure period for appropriate asset category classification.</li> </ul> <p><b>Depreciation</b></p> <ul style="list-style-type: none"> <li>• For assets with no standard asset lives we assessed the reasonableness of the lives used by reference to the accounting depreciation rates used in preparing the financial statements;</li> <li>• We compared the system formula utilised to calculate regulatory depreciation expense with IM Determination clause 2.2.5;</li> <li>• We reperformed the regulatory depreciation calculation for a samples of assets; and</li> <li>• We compared the standard asset lives by asset category to those set out in the IM Determination.</li> </ul> <p><b>Revaluation</b></p> <ul style="list-style-type: none"> <li>• We recalculated the revaluation rate set out in the IM Determination using the relevant Consumer Price Index indices taken from the Statistics New Zealand website; and</li> <li>• We tested the mathematical accuracy of the revaluation calculation performed by management.</li> </ul> <p>We obtained an understanding of the Company's cost and asset allocation processes, and the methodologies applied. Our procedures over cost and asset allocation included:</p> <ul style="list-style-type: none"> <li>• Reconciling the regulated and unregulated financial information to the Company's audited accounting records.</li> </ul> <p><b>Classification as directly/not directly attributable</b></p> <ul style="list-style-type: none"> <li>• Considering the appropriateness of the costs allocated as directly attributable, based on the nature and our understanding of the business to determine the</li> </ul>



Key Assurance Matter	How our procedures addressed the key assurance matter
<p>under the Information Disclosure Determination should comprise:</p> <ul style="list-style-type: none"> <li>• All of the costs directly attributable to the regulated goods or services; and</li> <li>• An allocated portion of the costs that are not directly attributable.</li> </ul> <p>The Input Methodologies Determination set out rules and processes for allocating costs and assets which are not directly attributable to either regulated or unregulated services. A number of screening tests apply which must be considered when deciding on the appropriate allocation method.</p> <p>The Company has applied the Accounting-Based Allocation Approach Methodology (ABAA) utilising proxy and causal cost and causal asset allocators to allocate the asset values and operating costs that are not directly attributable.</p> <p>Given the judgement involved in the application of the cost and asset allocation methodologies we consider it a key assurance matter.</p>	<p>reasonableness of the directly attributable classification;</p> <ul style="list-style-type: none"> <li>• Testing a sample of operating expense transactions to ensure their classification as either directly attributable or not directly attributable costs was appropriate and in line with the Information Disclosure Determination;</li> <li>• Inspecting the fixed asset register to identify any asset classes which based on their nature and our understanding of the business could be considered assets directly attributable to a specific business unit; and</li> <li>• Testing a sample of assets commissioned to ensure their classification as either directly attributable or not directly attributable was appropriate and in line with the Information Disclosure Determination.</li> </ul> <p><b>Appropriateness of the allocators used for not directly attributable costs and assets</b></p> <ul style="list-style-type: none"> <li>• Considering the appropriateness of the cost and asset causal and proxy allocators used in applying the ABAA to not directly attributable costs including inspecting supporting documentation and recalculating allocators;</li> <li>• Understanding why causal relationships could not be identified in allocating some costs and ensuring appropriate disclosure has been included in Schedule 14; and</li> <li>• Recalculating the split between not directly attributable costs and asset values allocated to gas distribution services and non-gas distribution services.</li> </ul>
<p><b>Related party transactions</b></p> <p>Disclosures over related party transactions including related party relationships, procurement policies/processes, application of these policies/processes and examples of market testing of transaction terms as required under the Information Disclosure Determination and the Input Methodologies Determination are set out in Appendix A.</p> <p>The Information Disclosure Determination and the Input Methodologies Determination require the Company to value its transactions with related parties,</p>	<p>We have obtained an understanding of the compliance requirements relevant to related party transactions as set out in the Information Disclosure Determination and the Input Methodologies Determination. We have ensured Schedule 5(b) and Appendix A includes all required disclosures including current procurement policies, descriptions of how they are applied in practice, representative example transactions and when and how market testing was last performed.</p> <p>Our procedures over the related party transactions included the following:</p> <p><b>Completeness and accuracy of related party relationships and transactions</b></p> <p>We have tested the completeness and accuracy of the related party relationships and transactions by:</p>





Key Assurance Matter	How our procedures addressed the key assurance matter
<p>disclosed in Schedule 5b, in accordance with the principles-based approach to the arm's length valuation rule. This rule states that the value of goods or services acquired from a related party cannot be greater than if it had been acquired under the terms of an arm's length transaction with an unrelated party, nor may it exceed the actual cost to the related party. A sale or supply to a related party cannot be valued at an amount less than if it had been sold or supplied under the terms of an arm's-length transaction with an unrelated party.</p> <p>Arm's-length valuation, as defined in the Input Methodologies Determination, is the value at which a transaction, with the same terms and conditions, would be entered into between a willing seller and a willing buyer who are unrelated and who are acting independently of each other and pursuing their own best interests.</p> <p>The Company is required to use an objective and independent measure to demonstrate compliance with the arm's-length principle. In the absence of an active market for similar transactions, assigning an objective arm's length value to a related party transaction is difficult and requires significant judgement.</p> <p>We have identified related party transactions at arm's-length as a key assurance matter due to the judgement involved.</p>	<ul style="list-style-type: none"> <li>• Agreeing the disclosures within Schedule 5(b) to the audited accounting records for the year ended 30 September 2024, investigating any material differences and determining whether any such differences are justified; and</li> <li>• Applying our understanding of the business structure against the related party definition in Input Methodologies Determination clause 1.1.4(2) to assess management's identification of any "unregulated parts" of the entity.</li> </ul> <p><b>Practical application of procurement policies</b></p> <ul style="list-style-type: none"> <li>• Testing a sample of operating expenditure and capital expenditure transactions disclosed in Schedule 5(b) by inspecting supporting documentation to determine compliance with the disclosed procurement policy and practices.</li> </ul> <p><b>Arm's length valuation rule</b></p> <p>We obtained the Company's assessment of available independent and objective measures used in supporting the arm's length valuation principal and performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Re-performed the calculations and agreed key inputs and assumptions to supporting documentation; and</li> <li>• Where benchmarking or other market information was used as independent and objective measures, we assessed whether the related party transaction values fell within a reasonable range. Qualitative factors were considered in determining the appropriate acceptable range.</li> </ul>

**Director's Responsibilities**

The Directors are responsible on behalf of the Company for compliance with the Information Disclosure Determination, for the identification of risks that may threaten compliance with the Information Disclosure Determination, controls that would mitigate those risks, and monitoring the Company's ongoing compliance.





### **Our Independence and Quality Management**

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In our capacity as auditor and assurance practitioner, our firm provides audit and other assurance services. The firm has no other relationship with, or interests in, the Company.

### **Assurance Practitioner's responsibilities**

Our responsibility is to express an opinion on whether the Company has complied, in all material respects, with Information Disclosure Determination in the preparation of the Disclosure Information for the disclosure year ended 30 September 2024 and on whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination and report our opinion to you. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with the Information Disclosure Determination and Input Methodologies Determination.

An assurance engagement to report on the Company's compliance with the Information Disclosure Determination and Input Methodologies Determination involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

### **Inherent Limitations**

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with the Information Disclosure Determination and Input Methodologies Determination will continue in the future.

### **Use of Report**

This report has been prepared for the Directors and the Commerce Commission in accordance with clause 2.8.1(1) of the Information Disclosure Determination and is provided solely to assist you in establishing that compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, as a body, and the Commerce Commission or for any purpose other than that for which it was prepared.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers  
19 February 2025

Christchurch