Information disclosure for the gas distribution business

Year ending 30 September 2021

First Gas Limited
17 February 2022

Introduction

First Gas Limited (Firstgas) operates 2,500 kilometres of gas transmission pipelines and more than 4,900 kilometres of gas distribution pipelines across the North Island. These gas infrastructure assets transport natural gas from Taranaki to major industrial gas users, electricity generators, businesses and homes, and transport around 20 percent of New Zealand's primary energy supply. Our distribution network services approximately 66,000 consumers across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne, and Kapiti Coast.

Firstgas is part of the wider Firstgas Group. Firstgas Group owns energy infrastructure assets across New Zealand through Firstgas and Gas Services NZ Midco Limited (GSNZ Midco), a separate business with common shareholders that owns the Ahuroa gas storage facility and Rockgas. Under its gas services brand, GSNZ Midco provides operational and maintenance support to gas infrastructure owners.

The Ahuroa gas storage facility (trading as Flexgas) is New Zealand's only underground gas storage facility. Rockgas has over 80 years' experience providing LPG to over 100,000 customers throughout New Zealand. Rockgas is New Zealand's largest LPG retail business and supplies its customers with LPG from both domestic and imported services.

Firstgas is committed to helping Aotearoa achieve its climate change goal of zero carbon emissions by 2050. Our gas transmission and distribution networks are ideally placed to support the development, transfer and use of emerging fuels such as hydrogen or biogas. For more information, visit our website: www.gasischanging.co.nz.

Information disclosure

This document contains Firstgas' annual information disclosure for the gas distribution business, for the year ending on 30 September 2021, 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
- KPMG assurance report

This information disclosure was prepared on 17 February 2022.

Further information

For further information regarding this compliance statement, please contact:

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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 2022
Disclosure Year (year ended)	30 September 2021

Templates for Schedules 1–10 excluding 5f–5g

Template Version 4.1. Prepared 21 December 2017

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Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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

7 **1(i): Expenditure Metrics**

sch ref		. per TJ energy delivered to ICPs ($/TJ)	Expenditure per average no. of ICPs ($/ICP)	expenditure to maximum monthly load ($ per	. per km of pipeline for supply ($/km)
8					
9	**Operational expenditure**	1,051	151	10	2,031
10	Network	444	64	4	858
11	Non-network	607	87	6	1,174
12					
13	**Expenditure on assets**	1,323	190	13	2,557
14	Network	1,299	187	13	2,510
15	Non-network	24	3	0	47
16					

17 **1(ii): Revenue Metrics**

sch ref		energy delivered to ICPs ($/TJ)	Revenue per average no. of ICPs ($/ICP)
18			
19	**Total line charge revenue**	2,679	386
20	Standard consumer line charge revenue	5,376	368
21	Non-standard consumer line charge revenue	240	63,000
22			

23 **1(iii): Service Intensity Measures**

sch ref			
24			
25	Demand density	195	*Maximum monthly load (GJ per month) per system length*
26	Volume density	2	*Quantity of gas delivered per km of system length (TJ/km)*
27	Connection point density	13	*Average number of ICPs in disclosure year per system length*
28	Energy intensity	144	*Total GJ delivered to ICPs per average number of ICPs in disclosure year*
29			

30 **1(iv): Composition of Revenue Requirement**

sch ref		($000)	% of revenue
31			
32	Operational expenditure	9,988	38.80%
33	Pass-through and recoverable costs excluding financial incentives an	778	3.02%
34	Total depreciation	6,273	24.37%
35	Total revaluations	8,590	33.37%
36	Regulatory tax allowance	2,735	10.62%
37	Regulatory profit/(loss) including financial incentives and wash-ups	14,295	55.53%
38	**Total regulatory income**	25,741	
39			

40 **1(v): Reliability**

sch ref			
41			
42	Interruption rate	7.79	*Interruptions per 100km of system length*

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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			CY-2	CY-1	Current Year CY
7	**2(i): Return on Investment**				
8		for year ended	30 Sep 19	30 Sep 20	30 Sep 21
9	**ROI – comparable to a post tax WACC**		%	%	%
10	Reflecting all revenue earned		5.81%	5.54%	8.48%
11	Excluding revenue earned from financial incentives		5.81%	5.54%	8.48%
12	Excluding revenue earned from financial incentives and wash-ups		5.78%	5.50%	8.44%
13					
14	**Mid-point estimate of post tax WACC**		4.88%	4.07%	3.54%
15	25th percentile estimate		4.17%	3.36%	2.83%
16	75th percentile estimate		5.58%	4.78%	4.24%
17					
18					
19	**ROI – comparable to a vanilla WACC**				
20	Reflecting all revenue earned		6.28%	5.87%	8.72%
21	Excluding revenue earned from financial incentives		6.28%	5.87%	8.72%
22	Excluding revenue earned from financial incentives and wash-ups		6.24%	5.83%	8.68%
23					
24	**WACC rate used to set regulatory price path**		6.41%	6.41%	6.41%
25					
26	**Mid-point estimate of vanilla WACC**		5.34%	4.40%	3.78%
27	25th percentile estimate		4.64%	3.70%	3.07%
28	75th percentile estimate		6.05%	5.11%	4.49%
29					

30	**2(ii): Information Supporting the ROI**			($000)	
31					
32		Total opening RAB value	174,405		
33	*plus*	Opening deferred tax	(8,907)		
34	**Opening RIV**			165,498	
35					
36	**Line charge revenue**			25,458	
37					
38		Expenses cash outflow	10,765		
39	*plus*	Assets commissioned	5,438		
40	*less*	Asset disposals	119		
41	*plus*	Tax payments	1,601		
42	*less*	Other regulated income	283		
43	**Mid-year net cash flows**			17,403	
44					
45	**Term credit spread differential allowance**			263	
46					
47		Total closing RAB value	181,908		
48	*less*	Adjustment resulting from asset allocation	(133)		
49	*less*	Lost and found assets adjustment	-		
50	*plus*	Closing deferred tax	(10,041)		
51	**Closing RIV**			172,001	
52					
53	**ROI – comparable to a vanilla WACC**				8.72%
54					
55		Leverage (%)			42%
56		Cost of debt assumption (%)			2.05%
57		Corporate tax rate (%)			28%
58					
59	**ROI – comparable to a post tax WACC**				8.48%
60					

Company Name	**First Gas Limited (Distribution)**
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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(iii): Information Supporting the Monthly ROI

Opening RIV	N/A

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

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	8.45%
Year-end ROI – comparable to a post tax WACC	8.21%

** 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	80	
Other wash-ups	-	
Wash-up costs		80
Impact of wash-up costs on ROIs		0.04%

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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

3(i): Regulatory Profit

		($000)
	Income	
	Line charge revenue	25,458
plus	Gains / (losses) on asset disposals	10
plus	Other regulated income (other than gains / (losses) on asset disposals)	273
	Total regulatory income	25,741
	Expenses	
less	Operational expenditure	9,988
less	Pass-through and recoverable costs excluding financial incentives and wash-ups	778
	Operating surplus / (deficit)	14,976
less	Total depreciation	6,273
plus	Total revaluations	8,590
	Regulatory profit / (loss) before tax	17,293
less	Term credit spread differential allowance	263
less	Regulatory tax allowance	2,735
	Regulatory profit/(loss) including financial incentives and wash-ups	14,295

3(ii): Pass-through and recoverable costs excluding financial incentives and wa

	($000)	
Pass through costs		
Rates	563	
Commerce Act levies	177	
Industry Levies	37	
CPP specified pass through costs	-	
Recoverable costs excluding financial incentives and wash-ups		
Urgent project allowance	-	
Other recoverable costs excluding financial incentives and wash-ups	-	
Pass-through and recoverable costs excluding financial incentives and wash-ups		778

3(iv): Merger and Acquisition Expenditure

	($000)
Merger and acquisition expenditure	-

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)

($000)

3(v): Other Disclosures

	($000)
Self-insurance allowance	-

Company Name	**First Gas Limited (Distribution)**
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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 Jun 16 ($000)**	**RAB 30 Sep 18 ($000)**	**RAB 30 Sep 19 ($000)**	**RAB 30 Sep 20 ($000)**	**RAB 30 Sep 21 ($000)**
Total opening RAB value	131,884	147,907	153,499	164,081	174,405
less **Total depreciation**	6,328	5,970	6,205	6,609	6,273
plus **Total revaluations**	2,958	2,811	2,248	2,368	8,590
plus **Assets commissioned**	19,132	8,561	14,445	14,566	5,438
less **Asset disposals**	24	2	-	-	119
plus **Lost and found assets adjustment**	-	-	-	-	-
plus **Adjustment resulting from asset allocation**	285	192	93	-	(133)
Total closing RAB value	147,907	153,499	164,081	174,405	181,908

4(ii): Unallocated Regulatory Asset Base

	Unallocated RAB *		**RAB**	
	($000)	**($000)**	**($000)**	**($000)**
Total opening RAB value		185,253		174,405
less				
Total depreciation		7,894		6,273
plus				
Total revaluations		9,036		8,590
plus				
Assets commissioned (other than below)	2,974		208	
Assets acquired from a regulated supplier				
Assets acquired from a related party	5,230		5,230	
Assets commissioned		8,204		5,438
less				
Asset disposals (other than below)	1,694		119	
Asset disposals to a regulated supplier	-		-	
Asset disposals to a related party	-		-	
Asset disposals		1,694		119
plus **Lost and found assets adjustment**				
plus **Adjustment resulting from asset allocation**				(133)

Company Name	**First Gas Limited (Distribution)**
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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			
49	**Total closing RAB value**	192,906	181,908
50	** 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)**
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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							
51							
52		**4(iii): Calculation of Revaluation Rate and Revaluation of Assets**					
53							
54		CPI_4					1,106
55		CPI_4^{-4}					1,054
56		Revaluation rate (%)					4.93%
57							
58			**Unallocated RAB ***		**RAB**		
59			**($000)**	**($000)**	**($000)**	**($000)**	
60		Total opening RAB value	185,253		174,405		
61	*less*	Opening value of fully depreciated, disposed and lost assets	2,090		284		
62							
63		Total opening RAB value subject to revaluation	183,163		174,121		
64		**Total revaluations**		9,036		8,590	
65							
66		**4(iv): Roll Forward of Works Under Construction**					
67			**Unallocated works under construction**		**Allocated works under construction**		
68		**Works under construction—preceding disclosure year**		17,688		3,961	
69	*plus*	Capital expenditure	12,710		12,391		
70	*less*	Assets commissioned	8,204		5,438		
71	*plus*	Adjustment resulting from asset allocation					
72		**Works under construction - current disclosure year**		22,194		10,915	
73							
74		Highest rate of capitalised finance applied				4.21%	
75							

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

76 **4(v): Regulatory Depreciation**

sch ref		Unallocated ($000)	($000)	RAB ($000)	($000)
79	Depreciation - standard	5,906		5,906	
80	Depreciation - no standard life assets	1,987		367	
81	Depreciation - modified life assets				
82	Depreciation - alternative depreciation in accordance with CPP	-		-	
83	**Total depreciation**		7,894		6,273

85 **4(vi): Disclosure of Changes to Depreciation Profiles**

($000 unless otherwise specified)

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

95 ** include additional rows if needed*

96 **4(vii): Disclosure by Asset Category**

97 ($000 unless otherwise specified)

sch ref			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
99		**Total opening RAB value**	21,026	101,027	1,423	34,872	5,986	1,636	3,283	3,495	1,658	174,405
100	*less*	Total depreciation	571	3,220	37	1,480	217	37	142	288	283	6,273
101	*plus*	Total revaluations	1,037	4,989	70	1,720	295	81	162	172	63	8,590
102	*plus*	Assets commissioned	0	1,208	-	4,014	4	4	-	-	208	5,438
103	*less*	Asset disposals	-	-	-	-	-	-	-	-	119	119
104	*plus*	Lost and found assets adjustment	-	-	-	-	-	-	-	-	-	-
105	*plus*	Adjustment resulting from asset allocati	-	-	-	-	-	-	-	-	(133)	(133)
106	*plus*	Asset category transfers	-	-	-	-	-	-	-	-	-	-
107		**Total closing RAB value**	21,493	104,005	1,456	39,126	6,069	1,683	3,302	3,379	1,395	181,908

Company Name	**First Gas Limited (Distribution)**
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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											
109	**Asset Life**										
110	Weighted average remaining asset life	46.3	39.9	46.4	44.1	30.0	53.6	27.4	25.8	17.7	(years)
111	Weighted average expected total asset l	70.2	60.0	60.0	62.4	34.9	58.8	60.0	37.6	50.0	(years)

Company Name	**First Gas Limited (Distribution)**
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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 2.8.

sch ref				
7	**5a(i): Regulatory Tax Allowance**			**($000)**
8		**Regulatory profit / (loss) before tax**		17,293
9				
10	*plus*	Income not included in regulatory profit / (loss) before tax but taxable	- *	
11		Expenditure or loss in regulatory profit / (loss) before tax but not deductible	446 *	
12		Amortisation of initial differences in asset values	1,683	
13		Amortisation of revaluations	607	
14				2,736
15				
16	*less*	Total revaluations	8,590	
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	- *	
19		Notional deductible interest	1,671	
20				10,261
21				
22		**Regulatory taxable income**		9,768
23				
24	*less*	Utilised tax losses	-	
25		Regulatory net taxable income		9,768
26				
27		Corporate tax rate (%)	28%	
28		**Regulatory tax allowance**		2,735
29				
30	*	Workings to be provided in Schedule 14		
31				
32	**5a(ii): Disclosure of Permanent Differences**			
33		In Schedule 14, Box 5, provide descriptions and workings of items recorded in the asterisked categories in Schedule 5a(i).		
34	**5a(iii): Amortisation of Initial Difference in Asset Values**			**($000)**
35				
36		Opening unamortised initial differences in asset values	53,844	
37	*less*	Amortisation of initial differences in asset values	1,683	
38	*plus*	Adjustment for unamortised initial differences in assets acquired	-	
39	*less*	Adjustment for unamortised initial differences in assets disposed	-	
40		Closing unamortised initial differences in asset values		52,161
41				
42		Opening weighted average remaining useful life of relevant assets (years)		32
43				

Company Name	**First Gas Limited (Distribution)**
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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 2.8.

sch ref

5a(iv): Amortisation of Revaluations

			($000)
	Opening sum of RAB values without revaluations	159,463	
	Adjusted depreciation	5,666	
	Total depreciation	6,273	
	Amortisation of revaluations		607

5a(v): Reconciliation of Tax Losses

			($000)
	Opening tax losses	-	
plus	Current period tax losses	-	
less	Utilised tax losses	-	
	Closing tax losses		-

5a(vi): Calculation of Deferred Tax Balance

			($000)
	Opening deferred tax	(8,907)	
plus	Tax effect of adjusted depreciation	1,587	
less	Tax effect of tax depreciation	2,247	
plus	Tax effect of other temporary differences*	7	
less	Tax effect of amortisation of initial differences in asset values	471	
plus	Deferred tax balance relating to assets acquired in the disclosure year	-	
less	Deferred tax balance relating to assets disposed in the disclosure year	(17)	
plus	Deferred tax cost allocation adjustment	(26)	
	Closing deferred tax		(10,041)

5a(vii): Disclosure of Temporary Differences

In Schedule 14, Box 6, provide descriptions and workings of items recorded in the asterisked category in Schedule 5a(vi) (Tax effect of other temporary differences).

5a(viii): Regulatory Tax Asset Base Roll-Forward

			($000)
	Opening sum of regulatory tax asset values	71,182	
less	Tax depreciation	8,025	
plus	Regulatory tax asset value of assets commissioned	5,412	
less	Regulatory tax asset value of asset disposals	58	
plus	Lost and found assets adjustment	-	
plus	Adjustments resulting from asset allocation	(226)	
plus	Other adjustments to the RAB tax value	-	
	Closing sum of regulatory tax asset values		68,286

Company Name	**First Gas Limited (Distribution)**
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SCHEDULE 5b: REPORT ON RELATED PARTY TRANSACTIONS

This schedule provides information on the valuation of related party transactions, in accordance with clause 2.3.6 of the ID determination.
This information is part of audited disclosure information (as defined in clause 1.4 of the ID determination), and so is subject to the assurance report required by clause 2.8.

sch ref			
7	**5b(i): Summary—Related Party Transactions**	**($000)**	**($000)**
8	**Total regulatory income**		2,229
9			
10	**Market value of asset disposals**		
11			
12	Service interruptions, incidents and emergencies	3,049	
13	Routine and corrective maintenance and inspection	1,168	
14	Asset replacement and renewal (opex)	-	
15	**Network opex**		4,217
16	Business support	-	
17	System operations and network support	2,266	
18	**Operational expenditure**		6,483
19	Consumer connection	6,456	
20	System growth	2,705	
21	Asset replacement and renewal (capex)	2,798	
22	Asset relocations	381	
23	Quality of supply	-	
24	Legislative and regulatory	-	
25	Other reliability, safety and environment	-	
26	**Expenditure on non-network assets**		126
27	**Expenditure on assets**		12,465
28	Cost of financing		
29	Value of capital contributions		
30	Value of vested assets		
31	**Capital expenditure**		12,465
32	**Total expenditure**		18,948
33			
34	**Other related party transactions**		–

35	**5b(iii): Total Opex and Capex Related Party Transactions**		
36	**Name of related party**	**Nature of opex or capex service provided**	**Total value of transactions ($000)**
37	First Gas Transmission	System operations and network support	234
38	Gas Services NZ	Service interruptions, incidents and emergencies	3,049
39	Gas Services NZ	Routine and corrective maintenance and inspection	1,168
40	Gas Services NZ	System operations and network support	2,032
41	Gas Services NZ	Consumer connection	6,456
42	Gas Services NZ	System growth	2,705
43	Gas Services NZ	Asset replacement and renewal (capex)	2,798
44	Gas Services NZ	Asset relocations	381
45	Gas Services NZ	Expenditure on non-network assets	126
46			
47			
48			
49			
50			
51			
52	**transactions**		18,948
53	** include additional rows if needed*		
54			

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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.

sch ref

8 ## 5c(i): Qualifying Debt (may be Commission only)

sch ref	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	Term Credit Spread Difference	Debt issue cost readjustment
11	2021 USPP 7yr	23/03/2021	10/03/2021	7.0	2.32%	185,111,728	191,540,083	277,668	(105,778)
12	2021 USPP 9yr	23/03/2021	10/03/2021	9.0	2.59%	165,626,282	172,275,729	496,879	(147,223)
13	2021 USPP 10yr	23/03/2021	24/11/2020	10.0	2.32%	107,619,458	102,754,156	403,573	(107,619)
14	2021 USPP 12yr	23/03/2021	24/11/2020	12.0	2.42%	286,985,220	271,600,886	1,506,672	(334,816)
15	2021 USPP 15yr	23/03/2021	24/11/2020	15.0	BKBM +200bps	225,000,000	223,636,000	1,687,500	(300,000)
16	** include additional rows if needed*						961,806,854	4,372,292	(995,437)

18 ## 5c(ii): Attribution of Term Credit Spread Differential

sch ref			
20	**Gross term credit spread differential**		3,376,855
22	Total book value of interest bearing debt	961,806,854	
23	Leverage	42%	
24	Average opening and closing RAB values	178,157	
25	**Attribution Rate (%)**		0.0%
27	**Term credit spread differential allowance**		263

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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						
7	**5d(i): Operating Cost Allocations**					
8			**Value allocated ($000s)**			
9		**Arm's length deduction**	**Gas distribution services**	**Non-gas distribution services**	**Total**	**OVABAA allocation increase ($000s)**
10	**Service interruptions, incidents and emergencies**					
11	Directly attributable		3,049			
12	Not directly attributable			-	-	
13	**Total attributable to regulated service**		3,049			
14	**Routine and corrective maintenance and inspection**					
15	Directly attributable		1,168			
16	Not directly attributable			-	-	
17	**Total attributable to regulated service**		1,168			
18	**Asset replacement and renewal**					
19	Directly attributable					
20	Not directly attributable				-	
21	**Total attributable to regulated service**		-			
22	**System operations and network support**					
23	Directly attributable		1,987			
24	Not directly attributable	-		-	-	
25	**Total attributable to regulated service**		1,987			
26	**Business support**					
27	Directly attributable		924			
28	Not directly attributable	454	2,860	20,605	23,919	
29	**Total attributable to regulated service**		3,784			
30						
31	**Operating costs directly attributable**		7,128			
32	**Operating costs not directly attributable**	454	2,860	20,605	23,919	-
33	**Operational expenditure**		9,988			
34						

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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

5d(ii): Other Cost Allocations

	Value allocated ($000s)				
	Arm's length deduction	**Gas distribution services**	**Non-gas distribution services**	**Total**	**OVABAA allocation increase ($000s)**
Pass through and recoverable costs					
Pass through costs					
Directly attributable		778			
Not directly attributable			-	-	
Total attributable to regulated service		778			
Recoverable costs					
Directly attributable					
Not directly attributable				-	
Total attributable to regulated service		-			

5d(iii): Changes in Cost Allocations* †

Change in cost allocation 1

			($000) CY-1	($000) Current Year
Cost category		Original allocation		
Original allocator or line items		New allocation		
New allocator or line items		Difference	-	-

Rationale for change

Change in cost allocation 2

			($000) CY-1	($000) (CY)
Cost category		Original allocation		
Original allocator or line items		New allocation		
New allocator or line items		Difference	-	-

Rationale for change

Change in cost allocation 3

			($000) CY-1	($000) (CY)
Cost category		Original allocation		
Original allocator or line items		New allocation		
New allocator or line items		Difference	-	-

Rationale for change

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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

73 ** 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.*

74 *† include additional rows if needed*

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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
Main pipe	
Directly attributable	126,954
Not directly attributable	
Total attributable to regulated service	126,954
Service pipe	
Directly attributable	39,126
Not directly attributable	
Total attributable to regulated service	39,126
Stations	
Directly attributable	6,069
Not directly attributable	
Total attributable to regulated service	6,069
Line valve	
Directly attributable	1,683
Not directly attributable	
Total attributable to regulated service	1,683
Special crossings	
Directly attributable	3,302
Not directly attributable	
Total attributable to regulated service	3,302
Other network assets	
Directly attributable	3,379
Not directly attributable	
Total attributable to regulated service	3,379
Non-network assets	
Directly attributable	581
Not directly attributable	814
Total attributable to regulated service	1,395
Regulated service asset value directly attributable	181,095
Regulated service asset value not directly attributable	814
Total closing RAB value	181,908

5e(ii): Changes in Asset Allocations* †

Change in asset value allocation 1

			($000)	
			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)	
			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 3

			($000)	
			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

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

† include additional rows if needed

Company Name **First Gas Limited (Distribution)**
For Year Ended **30 September 2021**

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

sch ref				
7		**6a(i): Expenditure on Assets**	**($000)**	**($000)**
8		Consumer connection		6,456
9		System growth		2,705
10		Asset replacement and renewal		2,798
11		Asset relocations		381
12		Reliability, safety and environment:		
13		Quality of supply	-	
14		Legislative and regulatory	-	
15		Other reliability, safety and environment	-	
16		**Total reliability, safety and environment**		-
17		**Expenditure on network assets**		12,341
18		Expenditure on non-network assets		230
19				
20		**Expenditure on assets**		12,571
21	*plus*	Cost of financing		33
22	*less*	Value of capital contributions		214
23	*plus*	Value of vested assets		-
24				
25		**Capital expenditure**		12,391
26		**6a(ii): Subcomponents of Expenditure on Assets (where known)**		**($000)**
27		Research and development		
28		**6a(iii): Consumer Connection**		
29		*Consumer types defined by GDB**	**($000)**	**($000)**
30		Mains Extensions	1,651	
31		Service Connections - Residential	4,171	
32		Service Connections - Commercial	634	
33				
34				
35		** include additional rows if needed*		
36		**Consumer connection expenditure**		6,456
37				
38	*less*	Capital contributions funding consumer connection expenditure	153	
39		**Consumer connection less capital contributions**		6,303

Company Name **First Gas Limited (Distribution)**
For Year Ended **30 September 2021**

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

sch ref			
40			
41	**6a(iv): System Growth and Asset Replacement and Renewal**		
42		**System Growth**	**Asset Replacement and Renewal**
43		**($000)**	**($000)**
44	**Intermediate pressure**		
45	Main pipe	50	98
46	Service pipe	-	-
47	Stations	-	-
48	Line valve	-	5
49	Special crossings	-	0
50	**Intermediate pressure -total**	50	104
51	**Medium pressure**		
52	Main pipe	2,473	2,545
53	Service pipe	-	0
54	Stations	-	-
55	Line valve	-	6
56	Special crossings	-	-
57	**Medium pressure - total**	2,473	2,551
58	**Low pressure**		
59	Main pipe	-	-
60	Service pipe	-	-
61	Line valve	-	-
62	Special crossings	-	-
63	**Low pressure - total**	-	-
64	**Other network assets**		
65	Monitoring and control systems	-	-
66	Cathodic protection systems	-	14
67	Other assets (other than above)	182	130
68	**Other network assets - total**	182	144
69			
70	**System growth and asset replacement and renewal expenditure**	2,705	2,798
71	*less* Capital contributions funding system growth and asset replacement and renewal	47	
72	**System growth and asset replacement and renewal less capital contributions**	2,658	2,798
73	**6a(v): Asset Relocations**		
74	*Project or programme**	**($000)**	**($000)**
75	Waikato Expressway, Matangi-Hamilton Section	76	
76	SH1 Tarewa Road Intersection Upgrade	40	
77	Wairere Drive relocation, DRS101 & 103	36	
	Peka Peka to Otaki Expressway	30	
	Rotokauri Road Relocation	29	
78		-	
79		-	
80	** include additional rows if needed*		
81	All other projects or programmes - asset relocations	171	
82	**Asset relocations expenditure**		381
83	*less* Capital contributions funding asset relocations	13	
84	**Asset relocations less capital contributions**		368

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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

sch ref

6a(vi): Quality of Supply

	*Project or programme**	($000)	($000)
	Nil		
	** include additional rows if needed*		
	All other projects or programmes - quality of supply		
	Quality of supply expenditure		-
less	Capital contributions funding quality of supply		
	Quality of supply less capital contributions		-

6a(vii): Legislative and Regulatory

	*Project or programme**	($000)	($000)
	Nil		
	** include additional rows if needed*		
	All other projects or programmes - legislative and regulatory		
	Legislative and regulatory expenditure		-
less	Capital contributions funding legislative and regulatory		
	Legislative and regulatory less capital contributions		-

6a(viii): Other Reliability, Safety and Environment

	*Project or programme**	($000)	($000)
	Nil		
	** include additional rows if needed*		
	All other projects or programmes - other reliability, safety and environment		
	Other reliability, safety and environment expenditure		-
less	Capital contributions funding other reliability, safety and environment		
	Other reliability, safety and environment less capital contributions		-

6a(ix): Non-Network Assets

Routine expenditure

*Project or programme**	($000)	($000)
ICT	47	
Plant & Equipment	126	
Building Refurbishment	29	
Vehicles	3	
Right-of-use Assets	26	
** include additional rows if needed*		
All other projects or programmes - routine expenditure		
Routine expenditure		230

Atypical expenditure

*Project or programme**	($000)	($000)
Nil		
** include additional rows if needed*		
All other projects or programmes - atypical expenditure		
Atypical expenditure		-
Expenditure on non-network assets		230

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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

sch ref

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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			
7	**6b(i): Operational Expenditure**	**($000)**	**($000)**
8	Service interruptions, incidents and emergencies	3,049	
9	Routine and corrective maintenance and inspection	1,168	
10	Asset replacement and renewal		
11	**Network opex**		4,217
12	System operations and network support	1,987	
13	Business support	3,784	
14	**Non-network opex**		5,771
15			
16	**Operational expenditure**		9,988
17	**6b(ii): Subcomponents of Operational Expenditure (where known)**		
18	Research and development		
19	Insurance		

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**

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				
8	**7(i): Revenue**	**Target ($000) [1]**	**Actual ($000)**	**% variance**
9	Line charge revenue	23,971	25,458	6%
10	**7(ii): Expenditure on Assets**	**Forecast ($000) [2]**	**Actual ($000)**	**% variance**
11	Consumer connection	7,074	6,456	(9%)
12	System growth	2,341	2,705	16%
13	Asset replacement and renewal	4,056	2,798	(31%)
14	Asset relocations	965	381	(60%)
15	Reliability, safety and environment:			
16	Quality of supply	-	-	-
17	Legislative and regulatory	-	-	-
18	Other reliability, safety and environment	-	-	-
19	**Total reliability, safety and environment**	-	-	-
	Expenditure on network assets	14,436	12,341	(15%)
21	Expenditure on non-network assets	486	230	(53%)
22	**Expenditure on assets**	14,922	12,571	(16%)
23	**7(iii): Operational Expenditure**	AMP Forecast	Actual ($000)	
24	Service interruptions, incidents and emergencies	3,152	3,049	(3%)
25	Routine and corrective maintenance and inspection	1,067	1,168	9%
26	Asset replacement and renewal	-	-	-
27	**Network opex**	4,219	4,217	(0%)
28	System operations and network support	2,926	1,987	(32%)
29	Business support	3,007	3,784	26%
30	**Non-network opex**	5,933	5,771	(3%)
31	**Operational expenditure**	10,152	9,988	(2%)
32	**7(iv): Subcomponents of Expenditure on Assets (where known)**			
33	Research and development	-	-	-
34	**7(v): Subcomponents of Operational Expenditure (where known)**			
35	Research and development	-	-	-
36	Insurance	-	-	-

37 *1 From the nominal dollar target revenue for the pricing year disclosed under clause 2.4.3(3) of this determination*

38 *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)*

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**
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.

sch ref

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

sch ref	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)	Billed quantities by price component				
10					Price component	Fixed	Variable			
11					Unit charging basis (eg, days, GJ, etc.)	Days	kWh			
13	GN0R	Residential	Standard	61,798	1,270	22,512,462	352,714,943			
14	GN0V	Residential	Standard	-	-	-	-			
15	GN01	Business/Commercial	Standard	2,074	173	754,676	48,158,902			
16	GN02	Commercial	Standard	1,508	467	548,960	129,701,681			
17	GN03	Commercial	Standard	515	918	187,438	255,057,238			
18	GN04	Commercial/Industrial	Standard	71	791	25,917	219,650,432			
19	GN05	Large Industrial	Standard	9	894	3,285	248,300,757			
20	Non-Standard (NG60)	Large Industrial	Non-standard	19	4,990	6,205	1,385,982,243			
21										
22										
23										
24										
25	*Add extra rows for additional consumer groups or price category codes as necessary*									
26			**Standard consumer totals**	65,975	4,513	24,032,738	1,253,583,953	-	-	-
27			**Non-standard consumer totals**	19	4,990	6,205	1,385,982,243	-	-	-
28			**Total for all consumers**	65,994	9,503	24,038,943	2,639,566,196	-	-	-

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

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**
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.

8(ii): Line charge revenues ($000) by price component

Add extra columns for additional line charge revenues by price component as necessary

Consumer group name or price category code	Consumer type or types (eg, residential, commercial, etc.)	Standard or non-standard consumer group (specify)	Total line charge revenue in disclosure year	Notional revenue foregone from posted discounts (if applicable)	Line charge revenues ($000) by price component				
				Price component	Fixed	Variable			
				Rate (eg, $ per day, $ per GJ, etc.)	Days	kWh			
GN0R	Residential	Standard	$15,835	-	8,285	7,550			
GN0V	Residential	Standard	-	-	-	-			
GN01	Business/Commercial	Standard	$896	-	511	385			
GN02	Commercial	Standard	$1,652	-	642	1,010			
GN03	Commercial	Standard	$2,791	-	962	1,829			
GN04	Commercial/Industrial	Standard	$1,872	-	385	1,487			
GN05	Large Industrial	Standard	$1,215	-	808	407			
Non-Standard (NG60)	Large Industrial	Non-standard	$1,197	-	944	253			
			-						
			-						
			-						
			-						
Add extra rows for additional consumer groups or price category codes as necessary									
		Standard consumer totals	$24,261	-	$11,593	$12,668	-	-	-
		Non-standard consumer totals	$1,197	-	$944	$253	-	-	-
		Total for all consumers	$25,458	-	$12,537	$12,921	-	-	-

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**
Network / Sub-network Name	**North Island Network**

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**	**Items at end of year (quantity)**	**Net change**	**Data accuracy (1–4)**
9	Intermediate Pressure	Main pipe	IP PE main pipe	km	-	-	-	N/A
10	Intermediate Pressure	Main pipe	IP steel main pipe	km	195	195	0	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	2	1	(0.668)	3
14	Intermediate Pressure	Service pipe	IP other service pipe	km	-	-	-	N/A
15	Intermediate Pressure	Stations	Intermediate pressure DRS	No.	102	100	(2)	3
16	Intermediate Pressure	Line valve	IP line valves	No.	242	237	(5)	3
17	Intermediate Pressure	Special crossings	IP crossings	No.	17	17	-	2
18	Medium Pressure	Main pipe	MP PE main pipe	km	3,094	3,140	45.790	3
19	Medium Pressure	Main pipe	MP steel main pipe	km	130	129	(0.690)	3
20	Medium Pressure	Main pipe	MP other main pipe	km	-	-	-	N/A
21	Medium Pressure	Service pipe	MP PE service pipe	km	1,352	1,368	16.173	3
22	Medium Pressure	Service pipe	MP steel service pipe	km	12	11	(0.557)	3
23	Medium Pressure	Service pipe	MP other service pipe	km	1	-	(1.000)	3
24	Medium Pressure	Stations	Medium pressure DRS	No.	26	26	-	3
25	Medium Pressure	Line valve	MP line valves	No.	1,286	1,465	179	3
26	Medium Pressure	Special crossings	MP special crossings	No.	75	75	-	2
27	Low Pressure	Main pipe	LP PE main pipe	km	41	41	0	3
28	Low Pressure	Main pipe	LP steel main pipe	km	-	0	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	30	30	(0.032)	3
31	Low Pressure	Service pipe	LP steel service pipe	km	-	0	0	N/A
32	Low Pressure	Service pipe	LP other service pipe	km	-	-	-	N/A
33	Low Pressure	Line valve	LP line valves	No.	14	14	-	3
34	Low Pressure	Special crossings	LP special crossings	No.	-	-	-	N/A
35	All	Monitoring and control syster	Remote terminal units	No.	-	-	-	N/A
36	All	Cathodic protection systems	Cathodic protection	No.	43	43	-	2

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**
Network / Sub-network Name	**North Island Network**

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

8 **Disclosure Year (year ended)** 30 September 2021 — **Number of assets at disclosure year end by installation date**

9	Operating Pressure	Asset Category	Asset Class	Units	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	No. with age unknown	Items at end of year (quantity)	No. with default dates	Data accuracy (1–4)
10	Intermediate Pressure	Main pipe	IP PE main pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
11	Intermediate Pressure	Main pipe	IP steel main pipe	km	1	17	1	111	50	8	0	-	0	0	0	0	1	-	0	0	0	0	0	1	0	1	0	0	1	1	2	0	0	-	195	-	3
12	Intermediate Pressure	Main pipe	IP other main pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
13	Intermediate Pressure	Service pipe	IP PE service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
14	Intermediate Pressure	Service pipe	IP steel service pipe	km	-	-	-	0	0	0	0	-	-	-	-	-	-	-	-	-	-	0	0	-	-	-	-	-	0	0	-	-	0	-	1	-	3
15	Intermediate Pressure	Service pipe	IP other service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
16	Intermediate Pressure	Stations	Intermediate pressure	No.	-	1	-	22	31	7	1	-	3	1	-	4	1	-	-	1	1	3	1	-	1	4	3	2	5	4	1	3	-	-	100	-	3
17	Intermediate Pressure	Line valve	IP line valves	No.	2	8	3	44	49	14	5	1	2	-	1	6	7	-	5	5	-	4	4	11	4	10	6	7	14	11	10	3	1	-	237	-	3
18	Intermediate Pressure	Special crossings	IP crossings	No.	-	1	-	8	7	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17	-	2
19	Medium Pressure	Main pipe	MP PE main pipe	km	0	22	138	188	721	521	430	63	56	46	69	90	83	59	61	59	26	16	14	16	32	43	34	42	75	68	71	56	43	-	3,140	-	3
20	Medium Pressure	Main pipe	MP steel main pipe	km	8	74	29	16	2	0	0	0	0	0	-	0	0	-	0	-	-	0	0	0	0	0	0	0	0	0	0	0	0	-	129	-	3
21	Medium Pressure	Main pipe	MP other main pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
22	Medium Pressure	Service pipe	MP PE service pipe	km	0	21	83	58	168	218	239	46	43	37	43	40	35	37	34	29	15	17	16	13	18	20	16	15	18	20	22	23	24	-	1,368	-	3
23	Medium Pressure	Service pipe	MP steel service pipe	km	0	9	1	0	0	0	0	-	-	-	0	0	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-	11	-	3
24	Medium Pressure	Service pipe	MP other service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
25	Medium Pressure	Stations	Medium pressure DRS	No.	-	3	1	2	1	1	2	-	-	-	-	-	1	-	-	-	1	2	-	2	6	2	-	-	-	-	1	1	-	-	26	-	3
26	Medium Pressure	Line valve	MP line valves	No.	20	126	80	187	113	39	35	6	7	5	8	18	17	4	8	12	12	10	14	26	16	34	39	40	52	77	99	181	180	-	1,465	-	3
27	Medium Pressure	Special crossings	MP special crossings	No.	-	-	-	8	26	8	6	1	1	-	-	1	-	-	-	1	-	-	-	-	1	2	-	-	3	3	2	-	-	12	75	-	2
28	Low Pressure	Main pipe	LP PE main pipe	km	-	4	18	2	3	3	2	0	0	0	0	0	0	0	0	0	0	0	0	2	4	0	0	0	0	0	0	1	0	-	41	-	3
29	Low Pressure	Main pipe	LP steel main pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	-	N/A
30	Low Pressure	Main pipe	LP other main pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
31	Low Pressure	Service pipe	LP PE service pipe	km	0	2	6	3	3	3	3	0	0	0	0	0	0	0	1	0	0	0	0	2	1	0	0	0	0	0	0	0	0	-	30	-	3
32	Low Pressure	Service pipe	LP steel service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	-	-	-	-	-	-	0	-	N/A
33	Low Pressure	Service pipe	LP other service pipe	km	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
34	Low Pressure	Line valve	LP line valves	No.	3	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	4	3	-	-	-	-	-	-	3	-	-	14	-	3
35	Low Pressure	Special crossings	LP special crossings	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
36	All	Monitoring and control syste	Remote terminal units	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A
37	All	Cathodic protection systems	Cathodic protection	No.	-	1	-	6	18	8	-	1	1	-	-	-	-	-	-	-	1	-	-	1	2	-	-	-	-	3	1	-	-	-	43	-	2

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**
Network / Sub-network Name	**North Island Network**

SCHEDULE 9c: REPORT ON PIPELINE DATA

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

sch ref

8 ## Network Information (end of year)

sch ref	System length by material (defined by GDB)	Length (km)	%
10	Steel	338	6.87%
11	PE	4,579	93.13%
12	Other	-	-
13			-
14			-
15			-
16	**System length**	4,917	100.00%

17

sch ref	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)
19	Intermediate pressure	196	80	41	5,548
20	Medium pressure	4,649	28	65,175	4,066
21	Low pressure	72	37	1,285	26
22	**Total**	4,917	30	66,501	9,641

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**
Network / Sub-network Name	**North Island Network**

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

10 **Number of ICPs connected in year by consumer type**

11

sch ref	*Consumer types defined by GDB*	**Number of connections (ICPs)**
13	Residential	1,766
14	Commercial	89
15	Industrial	-
16		
17		
18	**Total**	1,855

19 9d(ii): Gas Delivered

20

sch ref			
21	Number of ICPs at year end	66,501	connections
22	Maximum daily load	35,695	(GJ per day)
23	Maximum monthly load	960,846	(GJ per month)
24	Number of directly billed ICPs	-	(at year end)
25	Total gas conveyed	9,640,788	(GJ per annum)
26	Average daily delivery	26,413	(GJ per day)
27			
28	**Load factor**	83.61%	

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**
Network / Sub-network Name	**North Island Network**

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 10a(i): Interruptions

sch ref	Interruptions by class	Actual
10	Class A (planned interruptions by GTB)	-
11	Class B (planned interruptions on the network)	190
12	Class C (unplanned interruptions on the network)	99
13	Class D (unplanned interruptions by GTB)	-
14	Class I (unplanned interruptions caused by third party damage)	94
15	**Total**	383

sch ref	Number of unplanned outage events (interruptions that affect more than 5 ICPs)	Actual
17	North Island regions	7
18		
19		
20		
21		

sch ref	Number of unplanned outage events caused by third party damage (interruptions that affect more than 5 ICPs)	Actual
23	North Island regions	6
24		
25		
26		
27		

28 10a(ii): Reliability

sch ref	Overall reliability	SAIDI	SAIFI	CAIDI
30	Based on the total number of interruptions	1,426.0	8.4	168.96
31	Class I (unplanned interruptions caused by third party damage)	1,023.9	3.3	309.97

sch ref	Class B (planned interruptions on the network)	SAIDI	SAIFI	CAIDI
33	North Island regions	172.0	3.0	57.63
34				-
35				-
36				-
37				-

sch ref	Class C (unplanned interruptions on the network)	SAIDI	SAIFI	CAIDI
39	North Island regions	230.1	2.2	106.92
40				-
41				-
42				-
43				-

Company Name	**First Gas Limited (Distribution)**
For Year Ended	**30 September 2021**
Network / Sub-network Name	**North Island Network**

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 discl

sch ref

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

sch ref	Number of confirmed public reported gas escapes per system length (escapes/1000 km)	Actual
10	North Island regions	30
11		
12		
13		
14		

sch ref	Number of leaks detected by routine survey per system length (leaks/1000 km)	Actual
16	North Island regions	11
17		
18		
19		
20		

sch ref	Number of third party damage events per system length (events/1000 km)	Actual
22	North Island regions	38
23		
24		
25		
26		

sch ref	Number of poor pressure events due to network causes	Actual
28	North Island regions	8
29		
30		
31		
32		

sch ref	Number of telephone calls to emergency numbers answered within 30 seconds per total number of calls Note: This entry may be excluded for sub-networks.	Actual
35	North Island regions	87%
36		
37		
38		
39		

sch ref	Product control—safety of distribution gas	Actual
41	Number of non-compliant odour tests	3

42 ## 10b(ii): Consumer Service

sch ref	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
44	North Island regions	90%	100%	0.55	68
45					
46					
47					
48					

sch ref	Number of complaints	Actual
50	Number of complaints per average total consumer numbers	0.0003

Company Name	First Gas Limited (Distribution)
For Year Ended	30 September 2021

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.

Mandatory explanatory notes

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 8.72% was higher than the 2020 result of 5.87%. This increase in ROI is primarily due to the significant increase in CPI in FY2021. The CPI for FY2021 was 4.93% compared to only 1.44% in FY2020 and the corresponding uplift in asset values is treated as income for the purposes of the ROI calculation.

The ROI calculation assumes revenue from a TCSD allowance because Firstgas has extended its debt financing to beyond 10 years. However, because this extension in the term of our debt occurred within the current regulatory period actual revenues earned in FY2021 do not include this allowance.

Reclassification of items:

The inclusion of Software as a Service (SaaS) costs in operating expenditure (Opex) from FY2021 has not had a significant effect on the ROI. See box 10 for further detail.

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: • Fees charged for disconnection / reconnection services and gas faults. Fees charged for these services offset the costs of providing these services included in Firstgas' Opex. 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 has been included 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 base (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. There has been no re-classification of items in the disclosure year.

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 and an adjustment for transfer pricing on interest.

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 in schedule 5d

There has been no reclassification of costs in the FY2021 disclosure period.

Approach to cost allocation

Firstgas (distribution) is part of the Firstgas Group of companies. Business support functions are provided to other companies within the Group 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.

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 in schedule 5e

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

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.

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 continued our focus on maintaining a safe and resilient gas distribution network for our customers, whilst continuing to grow our network where economic to meet the needs of our customers. This focus has been reflected in the work programme that was undertaken during the year.

Major works undertaken in FY2021 included:

- Integrity upgrades to pipelines: We have continued our programme of replacing the pre-1985 polyethylene (PE) pipelines across our network where necessary. As a result of a risk assessment of our PE pipelines undertaken in FY2019, our primary focus is on pre-1975 PE pipelines that require replacement. In FY2021 Firstgas has completed five projects, replacing approximately 0.85 kilometres of pre-1975 PE pipeline on our network, addressing the risk of pipe failure and potential gas leaks.
- Upgrades to district regulating stations (DRS) and metering equipment: We have upgraded and replaced equipment that was no longer meeting our performance standards in Hamilton and Cambridge. Upgrades to DRS and metering equipment mean that we can ensure adequate supply of pressure across our networks.
- 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 over 80 mains extension and subdivision projects across the greater Waikato region, as well as in Taupo, Tauranga, and the Kapiti Coast.
- Customer connections: This year we have continued to see connections to our network grow, with 1,855 new gas connections added in FY2021.

Further detail on our expenditure during this period, and our future work programme is available in our 2021 Asset Management Plan (AMP) Update published on the Firstgas website here: http://firstgas.co.nz/about-us/regulatory/distribution/

Change in the treatment of Software as a Service costs

From FY2021, Software as a Service (SaaS) costs are reported as Opex. Previously these costs were treated as non-network Capex. More detail on this change in treatment is provided in box 10.

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 no asset replacement and renewal operational expenditure this year. Firstgas has not incurred any atypical expenditure in FY2021. <u>Change in the treatment of Software as a Service costs</u> In FY2021, Firstgas changed its accounting policy in response to the International Financial Reporting Standards Interpretation Committee (IFRIC) decision[1] on Software as a Service (SaaS) products. The decision requires that where a customer does not control a Software-as-a-Services (SaaS) product, customisations and configurations are required to be expensed rather than capitalised. As a result, SaaS costs that were previously accounted for as non-network Capex and capitalised, are now treated as business support Opex costs. SaaS costs fluctuate year to year. To illustrate this, in FY2020 approximately $6,000 of SaaS costs were included in non-network Capex. In FY2021, $0.7 million of SaaS costs were included in Opex.

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).

[1] See IFRIC's decision on Configuration or Customisation Costs in a Cloud Computer Arrangement (IAS 38 Intangible Assets).

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

Expenditure on assets (Capex)

Total capital expenditure is approximately $2 million (16%) below the expenditure forecast for FY2021 in our 2020 Asset Management Plan (AMP).[2]

The decrease in network Capex from that forecast is largely due to:

- Asset replacement and renewal: Expenditure in this category is approximately $1.2 million below that forecast for the period as we have deferred two pre-1975 PE pipe replacement projects to FY2022. We continuously review our plans for these replacement projects to ensure efficiencies are gained where possible. As a result, two projects did not reach the execution phase in FY2021.
- Customer connections: Expenditure in this category is driven by customer demand. We have seen delays to planned subdivision and mains extension projects due to changes in developers' schedules, which have been impacts by COVID restrictions. This resulted in expenditure of $0.6 million below forecast.
- Asset relocation: Expenditure in this category is driven by third party requests to relocate assets, typically from Councils, the New Zealand Transport Association (NZTA) and customers. We forecast costs in this category based on expected requests, but actual expenditure is heavily dependent on third party schedules and often the timing of the projects is moved. In FY2021, a change in timing of works resulted in expenditure of $0.5 million below forecast.

Operational expenditure

Total operating expenditure is closely aligned with the FY2021 forecast published in our 2020 AMP, with actual Opex $0.2 million below forecast This small variance comes from our non-network expenditure and is driven by:

- An underspend in system operations and network support (SONS) due to the planned Hydrogen Trial for the distribution network being delayed.
- An overspend in Business Support due to the change in treatment for SaaS (Software-as-a-service). The cost is now applied to Opex and was forecast in Capex. See box 10 for more information on this change.
- An overspend in business support for marketing activity that highlights the ongoing value of gas through the transition to net-zero carbon economy ($0.3 million). This activity had not been included in the 2020 AMP.

Further detail on our expenditure for this period, and future work programme is available in our 2021 AMP Update published on the Firstgas website here: https://firstgas.co.nz/about-us/regulatory/distribution/

[2] https://firstgas.co.nz/wp-content/uploads/Firstgas-Distribution-AMP-2020-FINAL.pdf

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 $25.5 million is $1.5 million above the target revenue forecast for the period ($24.0 million). This variance against the target is due to higher than expected consumer consumption during the period. Target revenue is determined using the allowable notional revenue calculated in accordance with the 2017 DPP Determination for gas distribution services. The allowable notional revenue is adjusted for a forecast volume growth of approximately 1% per year. This forecast was based on historic growth in volumes and consumer connections.

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 FY2021 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 383 interruptions were experienced on the network in FY2021. The decrease from the 512 interruptions experienced in 2020 is due to a decrease in planned interruptions.

In FY2021, Firstgas has continued with its planned programme of works to replace sections for the pre-1985 PE pipeline. However, the ongoing effects of lockdowns due to COVID-19 and our continuous review of the plans for these works has seen a deferral of some pre-1985 replacement works into next year. This has subsequently resulted in a decrease in planned interruptions in FY2021.

The number of unplanned interruptions on the network not caused by third parties (Class C) is consistent with last year. The number of unplanned interruptions caused by third parties (Class I) has increased slightly from previous years and remains 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.[3]

The increase in our SAIDI this year was the result of a single third-party event in Te Awamutu in July 2021. A gas main had to be isolated when a civil contractor installing sheet piles for a bridge cut into the gas line with one of the piles. Firstgas arrived at the site within 30 minutes of receiving the call. The damaged pipe lay under a creek and difficulties with access prevented immediate repair. The solution was to install a temporary bypass. The gas main was isolated for 1,303 minutes and 40 customers lost gas supply during that time.

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

[3] Before u dig is an online service which enables anyone undertaking excavation works to obtain information on the location of cables, pipes and other utility assets in and around any proposed dig site. For more information see: https://www.beforeudig.co.nz/nz/home

19.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

Box 16: Disclosure of amendment to previously disclosed information
No amendments have been made to previously disclosed information.

Company Name	First Gas Limited (Distribution)
For Year Ended	30 September 2021

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 companies in the Firstgas Group. As required under the information disclosure determination, the following pages outline Firstgas' interactions and relationships with our related parties for the 2021 disclosure year.

Firstgas

REGULATORY DISCLOSURE

Gas distribution services: Information disclosure for related parties

For the year ended 30 September 2021

First Gas Limited
February 2022

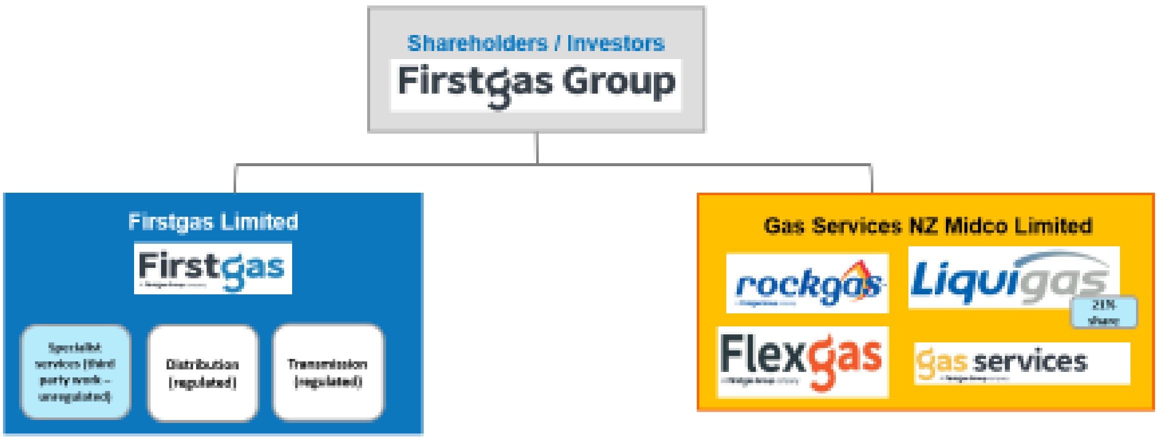
Introduction

First Gas Limited (Firstgas) operates 2,500 kilometres of gas transmission pipelines and more than 4,900 kilometres of gas distribution pipelines across the North Island. These gas infrastructure assets transport natural gas from Taranaki to major industrial gas users, electricity generators, businesses and homes, and transport around 20 percent of New Zealand's primary energy supply. Our distribution network services approximately 66,000 consumers across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne, and Kapiti Coast.

Firstgas is part of the wider Firstgas Group. Firstgas Group owns energy infrastructure assets across New Zealand through Firstgas and Gas Services NZ Midco Limited (GSNZ Midco), a separate business with common shareholders that owns the Ahuroa gas storage facility and Rockgas. Under its gas services brand, GSNZ Midco provides operational and maintenance support to gas infrastructure owners.

The Ahuroa gas storage facility (trading as Flexgas) is New Zealand's only underground gas storage facility. Rockgas has over 80 years' experience providing LPG to over 100,000 customers throughout New Zealand. Rockgas is New Zealand's largest LPG retail business and supplies its customers with LPG from both domestic and imported services.

Figure 1: Structure of the Firstgas Group for disclosure year 2021[1]



For further information on Firstgas, please visit our website www.firstgas.co.nz.

Firstgas is committed to helping Aotearoa achieve its climate change goal of net zero carbon emissions by 2050. Our gas transmission and distribution networks are ideally placed to support the development, transfer and use of emerging fuels such as hydrogen or biogas. For more information, visit our website: www.gasischanging.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 group mean that Firstgas

[1] The structure of the Firstgas Group and companies has been truncated to facilitate understanding of the related party relationship.

(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 3 April 2018 (ID Determination) issued by the Commerce Commission.

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 Firstgas Group 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 was prepared on 17 February 2022, and 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:

Karen Collins
Regulatory Policy Manager
First Gas Limited
Karen.Collins@firstgas.co.nz
04 979 5368

KPMG

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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.*

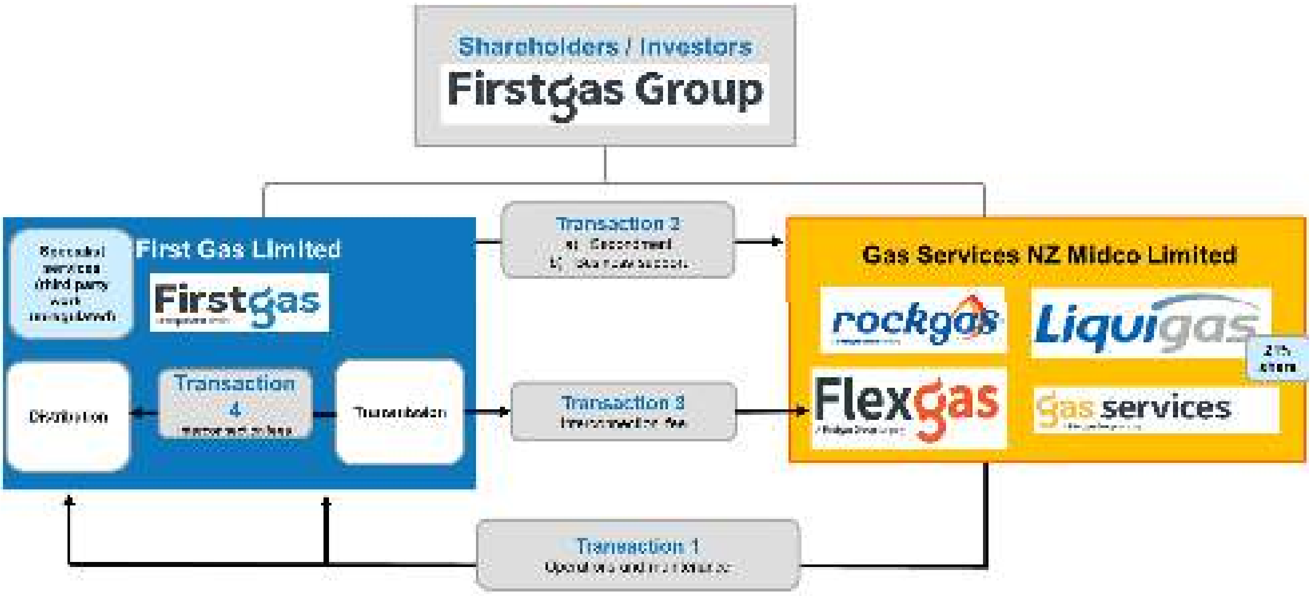
In FY2021 Firstgas (distribution) procured:

- Operations and maintenance (O&M) services from its related party, Gas Services New Zealand (Midco) Limited (GSNZ)
- Interconnection services from Firstgas (transmission).[2]

Firstgas provides unregulated services to GSNZ Midco. In the 2021 disclosure period, Firstgas provided seconded staff and business support services to GSNZ Midco under a Corporate Functions and Secondment Services Agreement (CFSA). The supply of these unregulated services was valued on an arm's length basis.

These transactions are illustrated in Figure 2.

Figure 2: Related party transactions in disclosure year 2021



The following table describes the connection between Firstgas (distribution) and its related parties with which it has had transactions with during the 2021 disclosure year. A breakdown of these transactions is also provided in Schedule 5b of our Information Disclosure schedules.

[2] The Firstgas transmission business and Firstgas distribution business are considered related parties for regulatory reporting purposes.

Table 1: The nature and extent of related party transactions in disclosure year 2021

Related Party	Nature of relationship	Principle activities of the related party	FY2021 expenditure/revenue between Firstgas (distribution) and its related party
GSNZ Midco (Transaction 1)	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 $12.34 million Non-network Capex $0.01 million Network Opex $4.2 million System operations and network support Opex $2.0 million
GSNZ Midco (Transaction 2)	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 $2.2 million is included in Schedule 5b for the provision of these services. This unregulated income is included in *total regulatory income* in schedule 5b. This unregulated income is not included in Schedule 2 or Schedule 3.[3]
Firstgas (transmission) (Transaction 3)	Firstgas (transmission) and Firstgas (distribution) are regulated businesses both owned by Firstgas	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 $0.234 million for interconnection fees to connect Firstgas (distribution) assets to the gas transmission network.

Gas Services (Midco) New Zealand Limited

Gas Services (Midco) New Zealand Limited (GSNZ) and Firstgas are part of the wider Firstgas Group 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, and Rockgas a supplier of LPG.

In the 2021 disclosure year, GSNZ provided 101% of the Firstgas (distribution) total Capex[4] and 65% of all Opex under an Operations and Maintenance agreement (O&M agreement).

[3] 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.

[4] 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%.

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.

The O&M agreement and CFSA both expire on 30 September 2022.

Operations and Maintenance (O&M) Agreement

Firstgas procures almost all of it 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[5] 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.

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.

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[5] Gas Services New Zealand Limited is the owner of Gas Services New Zealand (Midco) Limited

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.[6]

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, Firstgas Group has an overarching procurement policy. This policy requires we "*source, engage and manage suppliers in a professional and transparent manner within a consistent framework to achieve best value for Firstgas [Group].*" This Policy provides guiding principles for all procurement by, or on behalf of Firstgas Group[7].

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

Procurement principles

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

• Health & Safety First	The health and safety of staff and suppliers must be taken into consideration when procuring goods and/or services.
• Open and Effective Competition	Firstgas purchasing must be conducted in a manner that encourages competition amongst suppliers.
• Get the best value for Firstgas	Making quality decisions that consider the life of the contract (or whole-of-life cost) not just selecting the lowest price.
• Play by the Rules	Building trust and relationships with suppliers and keeping a reputation as a fair buyer.

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.

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[6] Document 08843 Firstgas Group procurement policy and document 09410 Firstgas Group procurement guidelines

[7] The Firstgas Group referred to in the Procurement policy includes First Gas Limited and those companies fully owned by GSNZ Midco.

The competitive process

Whilst the Firstgas Group 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.[8] 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 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.

<u>Monitoring and compliance</u>

The Firstgas Group 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 Firstgas’ 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 the Firstgas Group 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.

Firstgas 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.

In FY2020, Firstgas engaged an independent firm to review the key controls and processes in relation to related party transactions within the Group Procurement Policy. There were no significant findings from the review and management communicated the results to the Audit, Regulatory and Risk Committee at its November meeting.

[8] If the purchase is less than $10,000 only one quote need be obtained.

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 Firstgas Group procurement policy in respect of the procurement of goods or services from a related party.

In the 2021 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 independent appraisers[9] and to our auditors to confirm the terms are consistent with an arm's length transaction and to facilitate the audit of this section of our information disclosure.

To give an idea of how the O&M agreement works in practice, we consider the annual process:

- 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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[9] An independent appraiser was engaged to confirm the valuation of related party transactions met the Information Disclosure Determination requirements for our FY2019 disclosures. The independent appraiser report is included in our information disclosure for FY2019, available on the Firstgas website: https://firstgas.co.nz/wp-content/uploads/First-Gas-Distribution-Information-Disclosure-2019-STAMPED.pdf. Firstgas was not required to obtain a further independent appraiser report for our FY2021 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.

As there has been no material change in the scope of contracting services procured from GSNZ Midco in FY2021, we have largely relied on benchmarking work undertaken for FY2019. 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 2020[10]. 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 FY2019, 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 FY2021, our O&M agreement remains aligned with current market practices and prices. This was tested in October 2020 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

[10] 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.

- 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 FY2019. The sample taken in October 2020 comes from within the larger sample set used in FY2019.

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 completed by an independent expert for FY2019 was updated in October 2020 where further information was available. This benchmarking confirmed expected FY2021 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 in 2019 and reviewed for the FY2021 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[11]. 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
- The new Delivery Point at Waiuku commissioned in FY2020.

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. The current draft of this Policy is available on the OATIS website.[12] 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 Access Code."*

[11] 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. There were no interconnection fees charged in relation to the Tauriko delivery point in FY2021.

[12] 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 FY2021:

- 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 Firstgas Group 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 Firstgas Group 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 FY2021 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
All network Capex categories All network Opex categories System operations and network support Non-network assets	Network Opex and Capex and system operations and network support across the network. We provide examples below of procurement undertaken by GSNZ Midco on our behalf under the O&M agreement	Direct procurement from a 'sole supplier' under the existing O&M agreement.	The arm's length terms were tested as part of a benchmarking process that was undertaken during the 2019 disclosure year. In FY2019 Firstgas engaged an independent expert to benchmark: • The margins applied to the costs of O&M services provided by GSNZ Midco to Firstgas • Total service costs against comparable businesses. 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. Margin benchmarking was reviewed in October 2020 to confirm there had not been any substantive and permanent change in the market when agreeing prices in advance of the contract year. With no discernible permanent change indicated, the same marges were applied in FY2021 as applied in FY2019. Benchmarking 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. Terms of the O&M agreement were provided to the independent appraiser in FY2019 and our auditors as part of their review of the related party valuation requirements in FY2019 and in subsequent years. There has been no change to the O&M agreement across years. Benchmarking was undertaken with the permission of GSNZ Midco. Benchmarking is allowed for under the O&M agreement. Terms of the O&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.

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	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. 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: • The specific details on each site seeking to be connected to the gas transmission network • The interconnection fees policy in place at the time 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. 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. Firstgas' auditor has reviewed the interconnection agreements and confirmed comparable pricing to test the arm's length terms for FY2021.

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 is scheduled for review 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.[13] 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 Firstgas Group 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.

[13] Firstgas has a Delegations of Authority policy that outlines approval levels.

A formal project close-out process occurs on completion of the project. We have provided two examples to illustrate the delivery of major projects by GSNZ Midco under its O&M contract with Firstgas, including the application of our procurement policy:

- Pre-1985 polyethylene pipe replacement at McIntosh Street and Magee Place
- Medium pressure pipeline replacement at 930 River Road.

Example 1: Pre-1985 polyethylene pipe replacement at McIntosh Street and Magee Place

Firstgas has an ongoing programme of work to replace the pre-1985 polyethylene (PE) pipe on our network. PE pipe manufactured before 1985 was made with a polymer structure that over time is susceptible to cracking and significant deformation. We have less than 500 kilometres of this pre-1985 pipe, mostly in the Waikato.

In FY2018, Firstgas developed a Pre-1985 PE Pipeline replacement strategy (the replacement strategy) to replace the pre-1985 PE pipeline over the next fifteen years. The replacement strategy determines which parts of the pipeline to replace first based on a risk assessment that considers the age of the pipe, reported gas escapes or leaks found through our regular surveys of the network. Our Asset Management Plans (AMPs) outline our replacement strategy including the monitoring programme and risk assessment process.[14]

In FY2019, the pipeline along McIntosh Street and Magee Place was selected for replacement. When corrosion was discovered on the carbon steel main pipe that supplies Magee Place, the scope of work for the project was extended to replace the damaged pipe. The change in scope followed by the Covid-19 lockdown in April / May 2020, meant this project was not completed until June 2021.

The following example is provided to illustrate the procurement process followed by GSNZ Midco on our behalf when completing this project and outline how the Service Agreement with Electrix works within that process.

Project name:	McIntosh and Magee Street Hamilton pre-1985 replacement
Project date	The business case was approved in May 2019 and physical works were targeted for completion by September 2019. A change in scope followed by delays caused by the COVID lock down in April / May 2020 meant this project was not completed until June 2021.
Project or work order number:	P10303
Project expenditure (estimated)	$0.359 million from initial scoping through to commissioning of the assets and project close-out.
Project cost type	Asset replacement and renewal Capex
Project managed by:	GSNZ Midco provided oversight of the project under the O&M agreement.
Subcontractors:	Electrix managed the delivery of the project, supplying materials and the experience personnel required. Works were completed under the terms and rates specified in the service agreement between Firstgas and Electrix.

Planning:

Leading into FY2019, GSNZ Midco identified approximately 900 metres of pre-1985 pipeline at McIntosh Street and Magee Place in Hamilton as part of the remediation works for the year to be completed

[14] Further information on our PE pipe and our replacement strategy is available in successive AMPs and AMP updates on our website. See https://firstgas.co.nz/about-us/regulatory/distribution/. Our most recent full AMP was completed in 2020. Discussion around our pre-1985 PE pipe and replacement plans can be found in Appendix E. See https://firstgas.co.nz/wp-content/uploads/Firstgas-Distribution-Appendices-FINAL-1.pdf

under the replacement strategy. The AMP for FY2019 had included $2 million in the asset replacement and renewal Capex forecast for the ongoing replacement of pre-1985 PE pipeline.

The AMP is approved by Firstgas' Chief Executive Officer and the Firstgas Board of Directors. Once approved, work plans are finalised for the upcoming year. With expenditure for the pre-1985 replacement work approved, specific sites of focus for the year were selected following the replacement strategy.

A business case was submitted for the works at McIntosh Street and Magee Place in May 2019 and approved by the Chief Operating Officer of GSNZ Midco. The business case was based on a quoted cost supplied by Electrix for the scope of work..

The business case was developed and approved by GSNZ Midco management and Chief Operating Officer. Once the AMP is approved, and the budget for the remedial works is set then GSNZ Midco can approve expenditure based on the strategy up to their delegated authority. The business case for $0.359 million was approved in May 2019.

Completion of works:

Works began in August 2019 to replace approximately 900 metres of new PE pipe and relay 46 service connections by directional drilling and open trench. Electrix reported regularly through to the GSNZ Midco project manager acting on Firstgas' behalf, and the replacement pipeline was in place by the end of September 2019. Electrix expected the site to be reinstated by the end of October. Reinstatement included the connecting the new pipeline to the mains, decommissioning the bypass and reinstating topsoil and hard surfaces reinstated.

Figure 1: Pre-1985 pipeline replacement project, with new PE pipe being installed

During October 2019, Electrix contacted GSNZ Midco's project manager advising that there was evidence of corrosion on the carbon steel main pipe which supplies Magee Street.

GSNZ Midco's engineers advised 110 metres of the carbon steel pipe should be replaced and it was agreed to vary the scope of the project. From time to time, planned works will highlight other issues once the pipeline has been excavated. Whilst there was not an immediate need to replace the carbon steel pipe, it is usually more cost effective to complete the work at the time, than to place the risk of asset failure on the Risk Item Register (RIR)[15] for future consideration. GSNZ Midco's engineers also recommended we take the opportunity to remove two Style 90 valves from the system at the same time. Style 90 valves are compression fittings that over time have shown a tendency to loosen causing leaks.

The variation in scope of works was agreed in November 2019 by GSNZ Midco's distribution manager. The project was still expected to be completed within the approved budgeted costs and no variation to expenditure was requested.

[15] The RIR lists known issues on the network and rates them based on risk. The RIR is reviewed weekly by GSNZ Midco's risk governance committee and items are selected for remediation.

The change in scope of works required further project planning. The extended planning and competing demands for Electrix resources meant site works to replace the main pipe and valves was deferred to early 2020. In April 2020, work was again halted as New Zealand went into a lockdown in April and May in response to the COVID-19 pandemic. All non-essential works were stopped. After the lockdown, Electrix resources were again prioritised elsewhere by GSNZ Midco, in conjunction with Firstgas. Planned inspection work and demands from customers for connections that had been delayed for the lock-down period took priority over less essential works.

Work on the McIntosh and Magee project resumed in 2021 with final completion of works in June 2021.

Once the project began, project costs were paid and tracked within the financial system after being approved by the Distribution manager. Project costs and progress were monitored by GSNZ Midco's project team and reported to the Chief Operating Officer (COO) for GSNZ Midco monthly. The COO reports progress against projects to the Firstgas Executive team monthly.

The completed project, including close out costs exceeded the original approved expenditure by $13,000 and additional expenditure was approved by Firstgas.

Market testing:

Electrix was selected as the supplier to complete the scope of works for the replacement of assets. Electrix is the incumbent supplier of O&M services for Firstgas.[16] While the Service Agreement with Electrix allows Firstgas to tender out work, we considered there would be no benefit to going out to tender for this project. Electrix was the preferred supplier for the Hamilton project work due to:

- **Their experience:** Electrix have extensive experience on our network and with our systems
- **Their base in the Waikato**: Electrix has a base in the Waikato region. There was no alternative Firstgas approved contractor in the Waikato region at the time. Approved contractors from other regions were available at a higher cost as they needed to mobilise personal to work in the Waikato. Mobilisation costs would cause a significant increase in cost for the project
- **Their commitment to a long-term contract**: While other contractors had provided similar services previously for Firstgas and were approved to work on our network, they were unable to commit to a long-term contract with Firstgas. The replacement programme of work is expected to continue for many years, and we needed a contractor that could commit to working with us for the long-term.

Electrix provided a quote for the scope of works based on the terms in the Service Agreement. The quote was reviewed for reasonableness and included in the business case costs.

Outcomes:

The replacement of the pre-1985 PE pipe was completed within the scheduled time.

With the change in the scope of work and unavailability of resources due to the ongoing disruption from the COVID-19 pandemic and lockdown in April/May 2020, the extended project scope was not completed until June 2021. The resource constraints were a result of Firstgas and GSNZ Midco requiring Electrix to focus resources on higher priority work.

The delay in the project, variation to original scope and small increase in the input costs over this period resulted in costs $13,000 above those budgeted.

[16] Electrix are the incumbent service provider under a long-term contract in place through to 30 September 2022.

Example 2: Medium pressure pipeline replacement at 930 River Road

In FY2021, Firstgas replaced a small section of gas main pipe and associated pipeline under a road crossing along River Road in Hamilton. The existing carbon steel pipe no longer had the minimum cover between the top of the pipe and ground level required by AS / NZS 4645[17], the gas operating standard for gas distribution networks.

The following example is provided to illustrate the procurement process followed by GSNZ Midco on our behalf when completing this project and outline how the Service Agreement with Electrix works within that process.

Project name:	Hamilton MP4 CS pipeline replacement (930 River Road)
Project date	Expenditure was approved in November 2019 and physical works were targeted for completion by August 2020. Delays caused by the COVID lock down in April / May 2020 meant the new assets were not commissioned until May 2021.
Project or work order number:	P10461
Project expenditure (estimated)	$0.246 million from initial scoping and design through to commissioning of the assets and project close-out.
Project cost type	Asset replacement and renewal capex
Project managed by:	GSNZ Midco under the O&M agreement. GSNZ Midco provided a project scope definition and provided oversight of the project under the O&M agreement.
Subcontractors:	Electrix completed the onsite works to install a new underground polyethylene medium pressure gas main alongside River Road and connect to the existing network. At the same time, Electrix decommissioned the old carbon steel main. Electrix were responsible for backfilling all excavations and reinstating the hard surfaces. Electrix undertook the day-to-day project management for the on-site works on behalf of GSNZ Midco.

Planning:

In March 2019, Firstgas became aware that over time the land covering a section of mains pipe running along River Road in Hamilton and the associated road crossing had decreased. The existing carbon steel pipeline was no longer buried to the depth required under AS / NZS 4645.

This issue was listed on Firstgas' Risk Item Register (RIR). The register holds all known issues and ranks them for severity of risk. GSNZ Midco maintains the RIR on behalf of Firstgas and items are reviewed weekly by GSNZ Midco's risk governance team. The risk governance team initiate risk mitigation measures until each item can be resolved through repair or replacement and prioritise remedial works across the range of RIR items.

KPMG

[17] *AS /NZS 4645 Gas distribution networks* provides for the protection of the general public, gas distribution network operating personnel and the environment, and to ensure safe and reliable operation of gas distribution networks that reticulate gas to consumers.

A budget for remediating items in the RIR is included in our annual Asset Management Plan (AMP)[18] as part of the forecast asset replacement and renewal Capex.

GSNZ Midco provide information into the AMP and advise on the level of works required for the year. Once the AMP has been approved by Firstgas' Chief Executive Officer and Firstgas' Board of Directors, work plans and budgets are provided to GSNZ Midco. Where expenditure is allowed for, but projects are not specifically stated in the AMP such as remedial RIR work, senior management from GSNZ Midco can approve expenditure within the budget and to their level of delegated authority.

With funds allocated in the AMP and the replacement of pipeline at River Road signalled for remediation in FY2020 by the risk governance team, the project was handed to GSNZ Midco's front end engineers. Engineering was tasked with recommending a solution to bring this shallow portion of the network to the required depth. Six possible solutions were considered, and the engineering team recommended:

- The installation of a new main pipeline along River Road and under the associated road crossing
- Decommissioning of the existing non-compliant shallow sections of the gas network.

While this was not the least expensive option, it achieved compliance with AS / NZS 4645 and provided the best long-term solution. Other options provided only an interim solution requiring additional work in the future or were not acceptable to Hamilton City Council.

In November 2019, capital expenditure of $0.246 million was approved by GSNZ Midco's senior management based on the recommended solution. Approximately 60 metres of new polyethylene (PE) pipeline would be installed and connected to the existing mains pipeline. The existing carbon steel pipeline would be decommissioned. The project was targeted for completion by August 2020.

Completion of works:

With the capital expenditure authorised, Electrix was engaged to complete the project under the Service Agreement (SA) in place between Firstgas and Electrix. Electrix confirmed resources would be available in early 2020 with expected commissioning date of the new pipeline scheduled for April 2020.

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.

The project was delayed with the arrival of COVID-19 in New Zealand and the subsequent lock-down over April / May 2020. Whilst Firstgas was an essential service provider, only urgent works could be carried out over this time. All planned works, including the replacement of the pipeline at River Road were put on hold.

Coming out of the lock-down, Firstgas and GSNZ Midco considered the large list of outstanding works and prioritised Electrix resources based on the urgency of the works. The River Road project was deferred until FY2021.

In early 2021, Electrix signalled a change in the scope of works was required. The number of trees and driveways along the planned route for the new pipeline were causing difficulties and delays. A change in approach to construction was proposed. The route would now require an additional twenty metres of pipe to be laid, but would mean driveways and trees could be avoided.

[18] Our asset management plans are available on the Firstgas website, https://firstgas.co.nz/about-us/regulatory/distribution/

The change in scope was approved by GSNZ Midco in April 2021 and works were completed in May 2021. The project was expected to be completed within the approved budgeted costs and no variation to expenditure was requested.

Market testing:

Electrix was selected as the supplier to complete the scope of works for the replacement of the assets. Firstgas has a Service Agreement with Electrix and Electrix is the incumbent supplier of O&M services for Firstgas.[19]

Electrix provided a quote for the scope of works based on the terms in the service agreement. The quote was reviewed for reasonableness and included in the approval for expenditure request.

Outcomes:

The replacement of the pipe, decommissioning of the existing pipeline and reinstatement of the site was completed within the revised targeted time frame. The pipeline now has the depth of cover required by AS / NZS 4645.

Delays and reprioritisation of resources due to the ongoing disruption from the COVID-19 pandemic and lockdown in April / May 2020 meant the project was deferred from FY2020 to FY2021.

Although the project was delayed and the scope of works slightly changed, the project was completed under budget.

[19] Electrix are the incumbent service provider under a long-term contract in place with Firstgas through to 30 September 2022. Electrix complete most Opex and Capex works on our network unless especially extensive and complex, or Electrix advise they cannot complete the works in the time required.

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*[20]*, 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.[21]

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 related party, Gas Services New Zealand Midco Limited (GSNZ) under the Operations and Management

[20] 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.

[21] https://firstgas.co.nz/about-us/regulatory/distribution/

(O&M) agreement between Firstgas and GSNZ. This agreement will be reviewed by 30 September 2022. GSNZ manages several third-party contractors to deliver this network Opex.

Currently no network constraints have been identified that will result in Opex between FY2022 and 2031.

Figure 3: Largest Opex projects in the AMP planning period

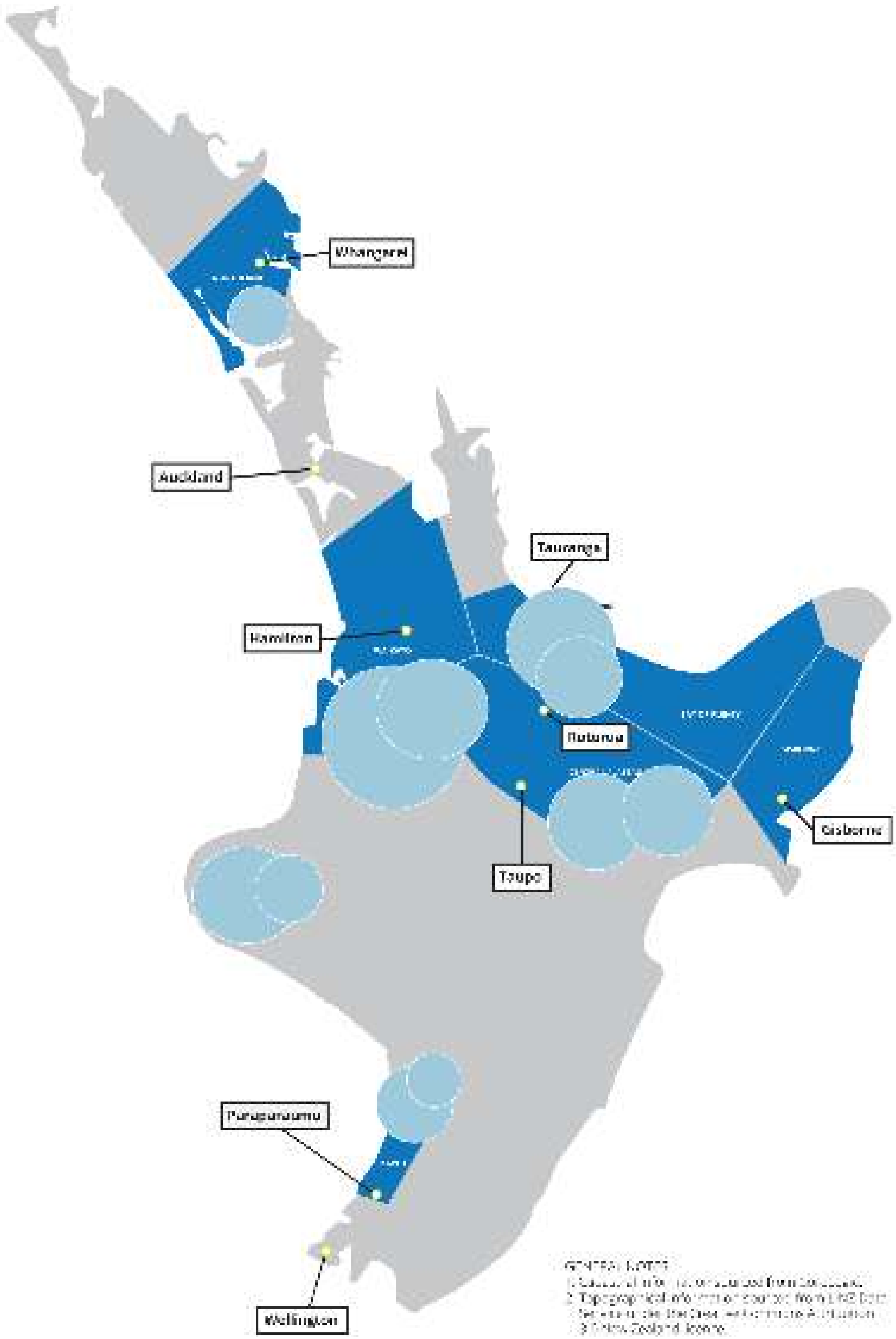

Table 3: Description of Opex in the AMP planning period (2022-2031) by region

Project	Description	Region	Cost (constant$)	Period
Service interruptions, incidents and emergencies	Ongoing costs to support reactive activities in terms of safety response and repair of any part of asset damaged from environmental factors or third-party interference, response to any fault at a station where safety or supply integrity could be compromised, and remediation or isolation works of unsafe network situations.	Waikato ($11.6 million) Bay of Plenty ($4.9 million) Central Plateau ($4.9 million) Kapiti ($4.9 million) Northland ($3.3 million) Gisborne ($3.3 million)	$30 million	FY2022-FY2031
Routine and corrective maintenance and inspection	Ongoing costs directly associated with operating and maintaining the Gas Distribution System.	Waikato ($5 million) Bay of Plenty ($1 million) Central Plateau ($1 million) Kapiti ($1 million) Northland ($1 million) Gisborne ($1 million)	$ 10 million	FY2022-FY2031
System operations and network support	Ongoing costs to support the management and operation of the network.	New Plymouth	$ 28 million	FY2022-FY2031
Business support	Ongoing costs to support the Distribution Operations.	New Plymouth	$ 29 million	FY2022-FY2031

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 (FY2022 to FY2031) 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. This O&M agreement was entered into with the change in ownership of the distribution business in 2016 and will be reviewed before September 2022. 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

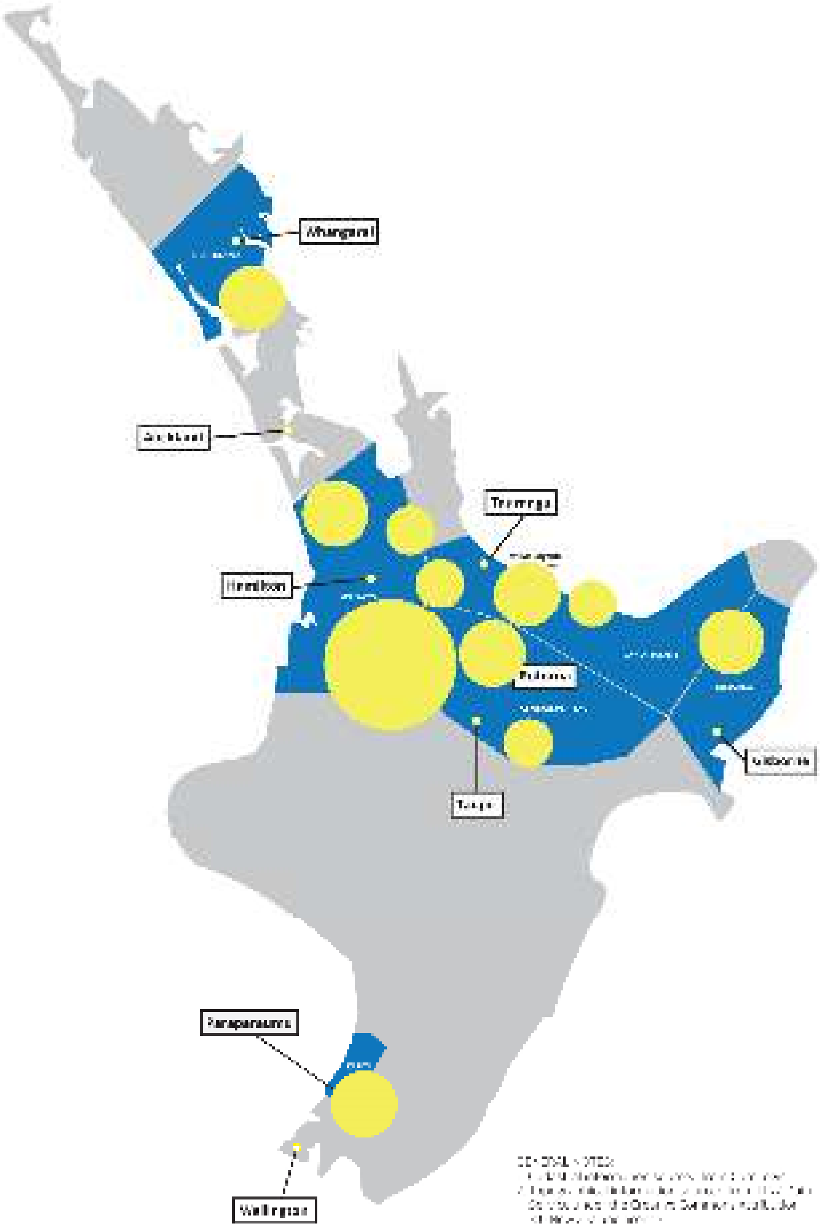

Table 4: Description of the largest Capex projects in the AMP planning period (2022-2031)

Project	Description	Region	Cost (constant $)	Period
Pre-85 replacement programme	As discussed in section 7 of our FY2021 AMP Update, replacement of pre-1985 PE pipe will occur throughout the planning period.	Waikato, Hamilton ($24 million) Bay of Plenty ($8 million) Kapiti ($4 million) Central Plateau ($4 million)	$40 million	FY2022-FY2031
Mains and subdivision urban growth	To address anticipated urban growth development plan.	Waikato, Taupo, Tauranga, Kapiti	$48 million	FY2022-FY2031
Industrial/commercial connections 1. Happy Valley Nutrition 2. OLAM International	As discussed in section 7 of our FY2021 AMP update, we anticipate two major new connections in the next two years of the planning period: • A mains extension supply to Happy Valley Nutrition in Otorahanga. This dairy plant will require an estimated of 3,550 SCMH of natural gas. • A mains extension supply to OLAM International, milk powder plant in Tokoroa. This dairy plant will require an estimated of 4,300 SCMH of natural gas.	Waikato	$6.7 million	FY2022 – FY2023

Schedule 19 Certification for Year-end Disclosures

Clause 2.9.3

We, Mark Adrian Ratcliffe and Fiona Ann Oliver, 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*.

Director: Mark Adrian Ratcliffe	Director : Fiona Ann Oliver
Thursday 17 February 2022	Thursday 17 February 2022
Date	Date

Independent Reasonable Assurance Report to the Directors of First Gas Limited ('the company') and to the New Zealand Commerce Commission

Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects, Schedules 1, 2, 3, 4, 5 (a-g), 6 (a-b), 7, 10a (iii) and 14 (boxes 1 – 12) of the First Gas Limited Gas Distribution Information Disclosure Requirements Information Templates (the 'schedules'), have been prepared, in accordance with the Commerce Commission Gas Distribution Information Disclosure Determination 2012 (amended as of 3 April 2018) and the related Reasons Paper and Input Methodologies (together 'the determination') for the year ended 30 September 2021.

In our opinion, in all material respects First Gas Limited's basis for valuation of related party transactions in the year ended 30 September 2021 has complied 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 related Input Methodologies.

In our opinion, in all material respects, First Gas Limited's additional disclosure information for related parties for the year ended 30 September 2021 ('Information Disclosures for Related Parties') has complied with clauses 2.3.8, 2.3.10, 2.3.11 and 2.3.12 of the Gas Distribution Information Disclosure Determination 2017.

As far as appears from an examination of them:

- proper records to enable the complete and accurate compilation of the schedules and Information Disclosures for Related Parties for the year ended 30 September 2021 have been kept by First Gas Limited;and
- the information used in the preparation of the schedules and Information Disclosures for Related Parties for the year ended 30 September 2021 has been properly extracted from First Gas Limited's accounting and other records and has been sourced, where appropriate, from First Gas Limited's financial and non-financial systems.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to First Gas Limited's schedules and Information Disclosures for Related Parties for the year ended 30 September 2021.

Criteria

We have performed an engagement to provide reasonable assurance in relation to the schedules 1, 2, 3, 4, 5 (a-g), 6 (a-b), 7, 10a (ii), 14 (boxes 1 – 12) and the Information Disclosures for Related Parties that have been prepared in accordance with the determination for the year ended 30 September 2021.

Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in our reasonable assurance engagement in relation to First Gas Limited's schedules in the current regulatory period. We summarise below those matters and our key procedures to address those matters in order that the directors and the New Zealand Commerce Commission may better understand the process by which we arrived at our opinion. Our procedures were undertaken in the context of and solely for the purpose of our opinion on the schedules and Information Disclosures for Related Parties as a whole and we do not express discrete opinions on separate elements of the schedules and Information Disclosures for Related Parties.

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The key assurance matter	How the matter was addressed in our audit
1. Capitalisation of assets into the regulatory assets base ('RAB'). Refer to Schedule 4 and Schedule 6a.	
Capitalisation of assets into the RAB (capital expenditure during the year of $12 million and assets commissioned of $5 million) is a key assurance matter due to the following significant judgements involved: — Assessment whether an asset meets the definition of network or non-network asset; and — Allocation of non-directly attributable assets to the gas distribution business. Specifically, this judgement relates to the selection of allocators which appropriately align to the cause of the expenditure.	Our procedures included, amongst others: — Examining the operating effectiveness of controls related to the approval of capital expenditure; — Checking a sample of costs to invoice to determine whether the description of the expenditure met the capitalisation criteria in the determination and is consistent with their presentation as either network or non-network assets; — Comparing RAB assets commissioned to those commissioned for financial reporting purposes and obtaining explanation for any significant differences; and — Examining and challenging the allocators used to allocate non-directly attributable assets into the RAB. This includes an assessment of whether the allocator is an appropriate reflection of the cause of the expenditure. We found no material errors in the amounts capitalised in the period.
2. Completeness and accuracy of SAIDI and SAIFI. Refer to Schedule 10a(ii).	
The accuracy and completeness of SAIDI and SAIFI (383 interruptions, SAIDI of 1,426 and SAIFI of 8.4) in the period is a key assurance matter due to the following factors: — The complexity of the calculation of SAIDI and SAIFI which requires detailed information about each individual outage, including the start time and restoration time for each affected connection; and — The reliance of manual manipulation of the outage dataset to arrive at the SAIDI and SAIFI numbers in schedule 10.	The procedures we performed to evaluate accuracy of the dataset used to calculated SAIDI and SAIFI included amongst others: — Comparing the details of each outage in the SAIDI and SAIFI dataset to the outage records of First Gas's external field service provider; and — Recalculating SAIDI and SAIFI according to the methodology of the Determination. The procedures we performed to evaluate completeness of the dataset used to calculate SAIDI and SAIFI included amongst others: — Checking whether, on a sample basis, major outage events recorded in the media were appropriately recorded in the dataset; and — Assessing of parameters used to extract data from the underlying systems. We found no material errors in the calculation of SAIDI and SAIFI.

3. Allocation of shared and other costs into operating expenditure. Refer to Schedule 5d and Schedule 6b.

The allocation of shared and other costs ($3 million of not directly attributable expenditure within the total of $10 million of operating expenditure) into operating expenditure is a key assurance matter due to:

— The fact that First Gas operates across a number of businesses, both regulated services (gas distribution and gas transmission) and non-regulated services. A number of operating costs can therefore be shared across these businesses.

— Allocation of shared and other costs into the gas distribution business requires judgement. Specifically, this judgement relates to the selection of allocators which appropriately align to the cause of the expenditure.

The procedures we performed to evaluate the allocation of non-directly attributable costs included, among others;

— Examining and challenging the allocators used to record shared and other costs into operating expenditure. This includes an assessment of whether the allocator is an appropriate reflection of the cause of the expenditure;

— Comparing the total amount of shared and other costs to that recorded for financial reporting purposes and obtaining and validating explanations for any significant differences; and

— Examining shared and other costs and obtaining and validating explanations for any significant movement compared to historic levels or our understanding of the current business model and strategy.

We found no material errors in the amounts of shared and other costs allocated to First Gas's gas distribution business in the period.

4. Valuation and identification of related party transactions Refer to Schedule 5b.

The valuation of transactions with related parties ($2 million of unregulated income, $6 million of operating expenditure and $12m of capital expenditure incurred with related parties in the period) is a key assurance matter due to the significant judgement in forming a view of related party pricing in the absence, or insufficiency, of publicly available information about pricing and terms of certain services.

The procedures we performed to evaluate valuation of related parties' transactions included:

— Comparison of the related party expenditure recorded by First Gas to ensure a) it is the price incurred by the gas distribution business b) the purchase price is not materially lower than that charged to customers who are not related;

— Comparison of the terms and conditions extended by related parties to First Gas to the standard terms and conditions of the supplier, and investigation where a material difference exists;

— Understand and assess the need for an Independent Appraiser's report in RY21 in light of the extent to which the proportion of Related Party transactions in RY21 compares to the proportion of Related Party transactions in RY20. If the increase is in excess of 5% an Independent Appraiser is required. In RY21 an Independent Appraiser was not required; and

— We reperformed the application of rates to be applied to Related Party transactions, with reference to the Independent Appraiser report and Company analysis undertaken in RY19. This included checking a sample of Related Party transactions (both sales and expenditure) to underlying evidence.

The procedures we performed to evaluate completeness of related parties' transactions included:

- Challenging whether all related party transactions had been included by comparing to our understanding of First Gas's operating model; and
- Ensuring that all related party transactions recorded for financial reporting purposes had been correctly identified and disclosed.

We found no material errors in relation to the valuation or completeness of related party transactions in the period.

Standards we followed

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In accordance with those standards we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the schedules and Information Disclosures for Related Parties are free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

How to interpret reasonable assurance and material misstatement

Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material misstatement when it exists.

Misstatements, including omissions, within the schedules and Information Disclosures for Related Parties are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the schedules and Information Disclosures for Related Parties.

Use of this assurance Report

Our report should not be regarded as suitable to be used or relied on by any party other than First Gas Limited and the New Zealand Commerce Commission in relation to section 2.8.1 of the Gas Distribution Information Disclosure Determination 2012 for any purpose or in any context. Any party other than First Gas Limited and the New Zealand Commerce Commission who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than First Gas Limited and the New Zealand Commerce Commission for our work, for this independent reasonable assurance report, or for the opinions we have reached.

Our report is released to First Gas Limited and the New Zealand Commerce Commission on the basis that it shall not be copied, referred to or disclosed, in whole (save for First Gas Limited's own internal purposes) or in part, without our prior written consent.

Management's responsibility for the schedules and Information Disclosures for Related Parties

Management of the company is responsible for the preparation and fair presentation of the schedules and Information Disclosures for Related Parties in accordance with the Determination. This responsibility includes such internal control as First Gas Limited determine is necessary to enable the preparation of the schedules and Information Disclosures for Related Parties that is free from material misstatement whether due to fraud or error.

Our responsibility

Our responsibility is to express an opinion to the directors and the New Zealand Commerce Commission on the preparation and presentation of the schedules and Information Disclosures for Related Parties in accordance with the Determination.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided audit and other assurance services to the company. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as assurance providers of the company for this engagement. The firm has no other relationship with, or interest in, the company.

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Auckland
17 February 2022