



REGULATORY DISCLOSURE

Gas distribution services: Non-standard contracts disclosure

12 months ended 30 September 2022



Introduction

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

Firstgas is part of the wider Firstgas Group. Headquartered in New Plymouth, Firstgas Group is an umbrella brand consisting of Rockgas, Firstgas, Flexgas and Gas Services NZ. Firstgas and Rockgas deliver natural gas and supply LPG respectively to over 500,000 customers through their network of high-pressure gas transmission pipelines and distribution pipelines in the North Island, as well as through LPG distribution pipelines in the South Island, 36 local LPG suppliers, and over 180 Refill & Save locations across New Zealand.

Flexgas operates the Ahuroa gas storage facility in Central Taranaki. Gas Services NZ provides operational and maintenance support to all gas infrastructure owners, including other parts of Firstgas Group.

Disclosure of non-standard prescribed contracts

This document is a regulatory disclosure prepared pursuant to sections 2.4.12, 2.4.15 and 2.4.17 of the *Gas Distribution Information Disclosure Determination 2012* (the ID Determination) consolidating all amendments as of 3 April 2018 issued by the Commerce Commission.

Firstgas¹ is required to disclose the non-standard contracts entered into or modified during the disclosure year. This disclosure relates to the non-standard contracts on our gas distribution networks only.

This document represents First Gas' required contract disclosures (the Disclosure) for the disclosure year 1 October 2021 to 30 September 2022.

This regulatory disclosure was prepared on 31 March 2023.

Further information

For further information regarding this regulatory disclosure, please contact:

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¹ First Gas Limited is a "gas distribution business" or "GDB", as referred to in the *Gas Distribution Information Disclosure Determination 2012*.

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1. Non-standard contracts

Firstgas maintain two contracts that are relevant to customers that qualify for a non-standard tariff code (NG60). These are:

1. Network Pricing Agreement or NPA

An NPA is between Firstgas and the gas customer and is used to confirm the customer's gas requirements and the terms on which Firstgas is willing to extend and/or reinforce the distribution network to meet those requirements.

2. Network Charges Agreement or NCA

An NCA is between Firstgas and the gas retailer and is used to confirm the network prices paid by the retailer for a non-standard ICP, the relevant terms and the details of the gas supply to that ICP.

2. Non-standard contracts entered into during the disclosure period

The ID Determination states that for each non-standard contract entered into during the disclosure period, Firstgas must disclose:²

1. A description of the goods or services to be supplied under the prescribed contract and
2. The quantity or amount of those goods and services.

Network Pricing Agreements entered into during the disclosure period

First Gas Limited entered into an NPA during the period. Under this NPA, Firstgas supplies the customer with:

- A gas connection capable of delivering up to 4,150 standard cubic meters per hour (166 GJ/hour³)
- At a pressure sufficient for a reasonable and prudent gas measurement system provider to maintain a nominal delivery pressure into the customer's piping of 200 kilopascals gauge.

² Clause 2.4.12(1), *Gas Distribution Information Disclosure Determination 2012*.

Network Charges Agreements entered into during the disclosure period

Firstgas updated and entered into the following NCAs during the period;

Table 1: New network service agreements entered during the disclosure year

ICP the NCA relates to	Nominal annual quantity (GJ)	Maximum flow (SCMH) ³	Network pressure (kPa)
1001298461NGF8B	8,800	175	400
1001298408NGE2A	8,000	275	400
1001296139NG852	40,000	500	700
1001294166NGCC4	65,000	570	700
1001295720NG848	270,000	3,900	1,000
0008000027NGD9C	377,212	2,500	1,900
0008000029NGE07	346,170	2,242	1,900
0008000033NG63B	162,382	2,441	1,000
0008000038NG8EF	225,000	1,800	1,900
0008000040NGFA6	589,674	3,450	1,000
0008000051NG94E	188,784	2,500	1,000
0008000072NG8DB	534,890	2,547	1,900
0008000074NG954	473,207	2,500	1,900
0008000080NG849	45,302	n/a	1,900
0008000147NGB68	4,904	191	400
0008000249NGBF0	n/a	n/a	1,900
0008000300NGE00	n/a	n/a	1,900

³ Clause 2.4.17 of the ID Determination suggests we disclose the maximum hourly rate in GJ. Our contracts are based on a standard cubic meter/hour basis. To convert results in this column to GJ/hr then divide by 25. (Taking the gross calorific value of natural gas as 40MJ/scm, then there are 25scmh per GJ per hour.)

3. Modified non-standard contracts

Firstgas is required to disclose modifications to any prescribed terms and conditions of a non-standard contract.⁴

During the disclosure period, Firstgas has introduced the Network Pricing Agreement in its entirety and has modified the standard terms of the Network Charge Agreements (NCAs).

Changes to the Network Charges Agreement

Firstgas has made two changes to the standard terms of the NCA during the disclosure period:

- 1. Term:** Firstgas changed the Term of each NCA, such that the expiry date of each NCA is *equal to the date of expiry or termination of the Retailer's Supply Contract with the consumer*. Prior to this change, each NCA expired on the 30 September of each year.
- 2. Counterparty:** Firstgas made changes to allow for the NCA to be between Firstgas and the *Retailer or Related Company*, where "Related Company" has the same meaning as specified in section 2(3) of the Companies Act 1993 as if "company" includes a company or other body corporate incorporated or constituted in New Zealand or any other jurisdiction.

⁴ Clause 2.4.15, *Gas Distribution Information Disclosure Determination 2012*.

Introduction of the Network Pricing Agreement

The NPA is a new agreement introduced during the disclosure period. The prescribed terms and conditions are summarised in Table 2.

Table 2: Prescribed terms and conditions of the NPA

IDD Reference	NPA Clause and Reference
<p>Section 1.4.3: Prescribed terms and conditions that</p> <p>(a) Describe the goods or services to be supplied under the contract</p> <p>(b) Determine, or provide for the determination of the quantity or amount of those goods or services</p>	<p>4.1 Subject to clauses 3.3, 3.4, 4.2 and the fulfilment of the conditions contained in clause 8.1, Firstgas will use reasonable endeavours to ensure that the Gas-on Date occurs on or before [].</p> <p>4.3 Subject to the completion of the Works, Firstgas shall provide network services to the Gas Retailer on the Distribution Network in accordance with the Use of System Agreement and NCA.</p> <p>4.4 Subject to clauses 4.5, 4.6, 4.7 and 5.3, the Maximum Hourly Quantity under this Agreement shall be [] scm. Firstgas shall make Gas available at the Connection Point at a pressure sufficient for a reasonable and prudent GMS provider to maintain a nominal delivery pressure into the Customer's own piping at the Site of [] kilopascals gauge.</p> <p>4.7 Firstgas shall reasonably consider any request from the Customer to increase the Maximum Hourly Quantity above the scm limit stated in clause 4.4 but, notwithstanding any other provision of this Agreement, shall not be obliged to agree to any such request.</p> <p><i>Where:</i></p> <p>Connection Point means the outlet of the last isolation valve on Firstgas' Distribution Network at or near the boundary of the Site in a location Firstgas considers suitable, being the point to which the GMS for the Site is to be connected and to which Firstgas will assign a unique "ICP number"</p> <p>Distribution Network means any pipeline system connected to a Gas delivery point, operating at a pressure of less than 20 bar gauge, that is used to supply Gas directly or indirectly to one or more consumers and which is owned by Firstgas</p> <p>Gas-on Date means the date, as determined by Firstgas, on which Gas is first available to be taken at the Connection Point</p> <p>Maximum Hourly Quantity means, in respect of an hour, the maximum quantity of Gas (in standard cubic metres, "scm") that Firstgas is required to make available for the Gas Retailer to take, and which the Gas Retailer is entitled to take, at the Connection Point in that hour, as set out in clause 4.4</p> <p>Site Works means the works to be undertaken by Firstgas or its subcontractors at the Site as part of the Works in order to provide a Connection Point</p> <p>Works means the design, construction and commissioning by Firstgas of the extension and reinforcement of the Distribution Network to deliver the Gas Retailer's Gas to the Site (including the Site Works) in accordance with this Agreement</p>

IDD Reference	NPA Clause and Reference
<p>Section 1.4.3: Prescribed terms and conditions (c) (ii) Specify, determine, or provide for the determination of the timing of payment for those goods or services</p>	<p>3.1 The Customer shall:</p> <ul style="list-style-type: none"> (a) at all times during the Supply Term be party to a current, valid and binding Gas Supply Agreement in respect of all Gas supplied to the Site; and (b) in each Year of the Supply Term (but not including the period until the end of the first complete Year from the Gas-on Date) take the Minimum Annual Quantity of Gas and if, for any reason other than a Force Majeure Event, the Customer fails to achieve the Minimum Annual Quantity, Firstgas shall be entitled to redetermine the Network Charges as provided in Appendix 1. For the avoidance of doubt, the Customer shall be excused from the requirement to take the Minimum Annual Quantity of Gas in any Year where the failure to take the Minimum Annual Quantity is due to a Force Majeure Event. <p>3.2 The Customer shall procure that:</p> <ul style="list-style-type: none"> (a) its initial Gas Retailer signs Firstgas' NCA not later than 20 Business Days before the Customer takes any Gas from that Gas Retailer at the Site; and (b) any succeeding Gas Retailer during the Supply Term signs Firstgas' then-current NCA contemporaneously with signing a Gas Supply Agreement with the Customer. <p>5.1 Subject to clause 5.5, Firstgas shall invoice the Gas Retailer for Network Charges payable under the NCA.</p> <p>5.2 Subject to clauses 5.3, 5.4 and 5.5, the Network Charges payable under the NCA shall be payable from the Gas-on Date (but not earlier than []), until the Expiry Date, inclusive.</p> <p>5.3 Firstgas may redetermine the Network Charges as a pre-condition of agreeing to any increase in the Maximum Hourly Quantity or change to the delivery pressure or location of the Connection Point, in which event Appendix 1 shall be amended accordingly.</p> <p>5.4 Firstgas may redetermine the Network Charges payable by the Gas Retailer during the term of this Agreement in accordance with Appendix 1 of this Agreement and the NCA. Firstgas may also redetermine the Network Charges payable for continued use of the Distribution Network after the Expiry Date.</p> <p>5.5 If, at any time during the period commencing from the Gas-on Date and ending on the Expiry Date there is no NCA in effect for the Site, the Network Charges shall be payable by the Customer directly to Firstgas in accordance with Firstgas' standard payment terms until such time as the Customer has a valid and binding Gas Supply Agreement with a Gas Retailer and that Gas Retailer signs Firstgas' NCA.</p> <p><i>Where:</i></p> <p>Expiry Date means 30 September in the Year that is not less than [] years from the Gas-on Date;</p> <p>Minimum Annual Quantity means [] GJ;</p> <p>Network Charges means the charges payable to Firstgas by the Gas Retailer for the right to use the Distribution Network, determined by Firstgas in accordance with Appendix 1;</p> <p>Network Charges Agreement or NCA means the agreement between Firstgas and the Gas Retailer setting out the Network Charges and other matters relevant to the Gas Retailer's use of the Distribution Network</p>

IDD Reference	NPA Clause and Reference
<p>Section 1.4.3: Prescribed terms and conditions (c) (iii) Specify, determine, or provide for the determination of the security for payment for those goods or services</p>	<p>3.3 The Customer will provide Firstgas (and any of its contractors) upon request (at no cost to Firstgas or its contractors), with such access to, and occupation of, the Site as is reasonably required by Firstgas (or its contractors) for the purpose of undertaking the Works. The terms and conditions of access to the Site are set out in the Site Works and Access Agreement.</p> <p>6.1 Firstgas may terminate this Agreement by written notice to the Customer (“Firstgas Termination Notice”) in the event of:</p> <ul style="list-style-type: none"> (a) a failure by the Customer to comply with clause 3.3, for any reason other than a Force Majeure Event; or (b) the Customer committing or suffering an Event of Default; or (c) the Customer not taking any Gas over a continuous period of not less than 180 Days (commencing 12 months from the Gas-on Date), whether in breach of the Gas Supply Agreement or not; or (e) termination of the Gas Retailer’s Use of System Agreement or NCA for any reason other than as a consequence of a default by Firstgas, provided that if either of those agreements are terminated for any reason other than due to a default by the Gas Retailer that has been caused by the Customer’s breach of the Gas Supply Agreement, Firstgas will give the Customer 20 Business Days to obtain a new Gas Retailer before being entitled to terminate this Agreement under this clause 6.1(e); (f) Not Used; or (g) any one or more conditions in clause 8.1 not being fulfilled on or before the date specified for fulfilment of such condition (as may be varied or extended by agreement in writing of the Parties), <p>and, subject to Firstgas notifying the Gas Retailer where part (a), part (b), part (c), part (d) or part (g) of this clause 6.1 applies and except where the termination of the Gas Retailer’s Use of System Agreement or NCA referred to part (e) of this clause 6.1 is the consequence of a default by Firstgas under those agreements:</p> <ul style="list-style-type: none"> (h) the Customer shall promptly pay Firstgas the Termination Fee as at the date of the Firstgas Termination Notice (“Notice Date”), and <p>this Agreement will terminate on the date such payment is completed.</p> <p>6.2 The Customer may terminate this Agreement before the Expiry Date in the event that:</p> <ul style="list-style-type: none"> (a) it permanently closes its facility at the Site and will no longer require delivery of any Gas at the Connection Point; (b) a Force Majeure Event renders its facility at the Site incapable of further operation without major and material repairs and/or replacement and that will prevent it from operating for a period of at least 6 months; or (c) Firstgas commits or suffers an Event of Default; <p>and, subject to the Customer:</p> <ul style="list-style-type: none"> (e) notifying both the Gas Retailer and Firstgas in writing of such event and of the Customer’s wish to terminate this Agreement (“Customer Termination Notice”); and (f) promptly paying Firstgas (except where part (c) of this clause 6.2 applies), the Termination Fee as at the date of the Customer Termination Notice (“Notice Date”), <p>this Agreement will terminate on the date such payment is completed.</p> <p><i>Where:</i></p> <p>Termination Fee is the fee payable by the Customer upon termination of this Agreement pursuant to clauses 6.1(h) and 6.2(f) as determined in accordance with Appendix 2;</p>

IDD Reference	NPA Clause and Reference
	<p>Appendix 2:</p> <p>1. Subject to paragraph 2 of this Appendix 2, the Termination Fee payable by the Customer to Firstgas pursuant to clause 6.1(f) or clause 6.2(e) at any time during the term of this Agreement shall be the sum of:</p> <ul style="list-style-type: none"> (a) the Network Charges payable under the NCA as at the relevant Notice Date multiplied by the number of Days between that Notice Date and the end of the then-current Year provided that if notice to terminate is given later than 1 July in that Year, the amount payable for the Network Charges will be calculated based on the number of Days between the Notice Date and the end of the following Year; (b) an amount that is the greater of: <ul style="list-style-type: none"> (i) C – F; and (ii) zero, <p>where:</p> <p>C is the actual total cost to Firstgas of extending and reinforcing the Distribution Network to deliver the Gas Retailer’s Gas to the Site as reasonably determined by Firstgas and notified to the Customer in writing as soon as practicable following completion thereof and which shall not exceed \$[]; and</p> <p>F is the sum of the Fixed Charges referred to in paragraph 1 of Appendix 1 and the Variable Charges referred to in paragraph 2 of Appendix 1 received by Firstgas pursuant to the then-current NCA and all previous NCAs between the Gas-on Date and the relevant Notice Date,</p> <p>2. Notwithstanding paragraph 1 of this Appendix 2, if for any reason this Agreement is terminated prior to the Gas-On Date, the Termination Fee payable by the Customer to Firstgas shall be the sum of:</p> <ul style="list-style-type: none"> (b) the total cost to Firstgas of extending and reinforcing the Distribution Network to deliver the Gas Retailer’s Gas to the Site up to the Notice Date as reasonably determined by Firstgas, including: <ul style="list-style-type: none"> (i) the cost of any equipment, materials already hired or purchased or services completed; (ii) any fees, expenses, charges or cancellation costs to terminate commitments already made for the supply of equipment, materials or services; and (iii) any costs to remove works already completed and/or remediate or restore the land on which such works were installed to its former condition, <p>provided however the maximum sum payable in aggregate pursuant to paragraphs 2(a) and 2(b) of this Appendix 2 is \$[] (“Maximum Allowable Termination Fee”).</p>
<p>Section 1.4.3: Prescribed terms and conditions (c) (iv) Specify, determine, or provide for the determination of Firstgas’ obligations and responsibilities (if any) to consumers if the supply of gas pipeline services to consumers is interrupted</p>	<p>N/A</p>

4. Requests for information

A copy of the standard prescribed terms and conditions of each contract, with the exception of the prescribed terms and conditions that specify, determine or provide for the determination of the price at which the good or services are to be supplied, is available from the Firstgas website, www.firstgas.co.nz, or by request from our Wellington office.

Please contact:

Distribution Commercial Manager
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Or by email: connections@firstgas.co.nz.