



COMPLIANCE STATEMENT

**Gas distribution services:
Default price-quality path compliance**

Fourth assessment period ending 30 September 2017



Introduction

First Gas operates 2,500km of gas transmission pipelines (including the Maui pipeline), and more than 4,800km of gas distribution pipelines across the North Island. These gas infrastructure assets transport 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.

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

Compliance statement

This document is a Compliance Statement prepared pursuant to section 11 of the *Gas Distribution Services Default Price-Quality Path Determination 2013* (DPP Determination) issued by the Commerce Commission on 28 February 2013. This Compliance Statement covers First Gas' Gas Distribution Business (GDB) for the Fourth Assessment Period ending 30 September 2017.

The following documents are provided with this compliance statement:

- Calculations for price path compliance
- Calculations for quality standard compliance
- Director certification
- KPMG assurance report

This compliance statement was prepared on 23 November 2017.

Compliance status for Fourth Assessment Period

Compliance with Price Path	Yes
Compliance with Quality Standards	Yes

Further information

For further information regarding this compliance statement, please contact:

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Disclaimer

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

Table of Contents

Introduction	2
Table of Contents	3
1. Price path compliance.....	4
1.1 Allowable Notional Revenue	4
1.2 Notional Revenue.....	6
1.3 Pass-through Costs and Recoverable Costs	7
1.4 Restructuring of prices	8
1.5 Compliance	9
2. Quality standards compliance	10
2.1 Calculations	10
2.2 Policies and procedures.....	12
2.3 Compliance	12
Appendix 1: Summary pricing and quantity information	13
Appendix 2: Standard prices	14
Appendix 3: Non-standard prices	16
Appendix 4: Director certificate for compliance	20
Appendix 3: Auditor assurance.....	21

1. Price path compliance

First Gas is pleased to confirm that the price path in clause 8 of the DPP Determination for the GDB (referred to as Vector Limited in the DPP Determination) has been complied with for the Fourth Assessment Period ending 30 September 2017.

First Gas set new prices with effect from 1 October 2016. The prices were notified to all retailers by First Gas on 29 July 2016.

1.1 Allowable Notional Revenue

The DPP requires First Gas' Allowable Notional Revenue for all Assessment Periods other than the first Assessment Period to be calculated as follows:

$$ANR_t = (\sum_{i,t-1} Q_{i,t-2} - (K_{t-1} + V_{t-1}) + (ANR_{t-1} - NR_{t-1})) (1 + \Delta CPI_t) (1 - X)$$

where:

t	is the year in which the Pricing Period ends;
i	is each Price relating to a Gas Distribution Service;
$P_{i,t-1}$	is the <i>i</i> th Price for any part of the Pricing Period ending the year prior to year t
$Q_{i,t-2}$	is the Quantity corresponding to the <i>i</i> th Price for the Pricing Period ending two years prior to year t
$K_{t-1} + V_{t-1}$	is the sum of all Pass-through Costs and Recoverable Costs for the Pricing Period ending the year prior to year t, calculated in accordance with Schedule 5
$ANR_{t-1} - NR_{t-1}$	is the difference between allowable notional revenue and notional revenue for the Pricing Period ending the year prior to year t
X	is the rate of change, as specified in Schedule 2.
ΔCPI_t	is the derived change in the CPI to be applied for the Pricing Period ending in year t, being equal to:

$$\Delta CPI_t = \frac{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}}{CPI_{Jun,t-3} + CPI_{Sep,t-3} + CPI_{Dec,t-3} + CPI_{Mar,t-2}} - 1$$

where:

CPI_q is the CPI for the quarter year ending q.

The Pricing Period covered by this compliance statement is the same as the Fourth Assessment Period, i.e. 1 October 2016 to 30 September 2017. Therefore, t is the year 2017.

The prices for the Assessment period were as follows:

2015/16 Prices			2016/17 Prices			Price change %		
Price Plan	Fixed Price (\$/day)	Variable Price (\$/kWh)	Price Plan	Fixed Price (\$/day)	Variable Price (\$/kWh)	Fixed Price Change (%)	Variable Price Change (%)	Estimated Total Price Change (%)
GN0R	0.34	0.0261	GN0R	0.357	0.0261	5.0%	0.0%	2.2%
GN01	0.62	0.0165	GN01	0.650	0.0165	4.8%	0.0%	1.8%
GN02	1.10	0.0133	GN02	1.154	0.0133	4.9%	0.0%	1.2%
GN03	4.72	0.0102	GN03	4.951	0.0102	4.9%	0.0%	1.2%
GN04	14.48	0.0068	GN04	15.190	0.0068	4.9%	0.0%	0.9%
GN05	200.00	0.0015	GN05	209.800	0.0015	4.9%	0.0%	3.1%

The change in CPI calculated in accordance with the prescribed formula was 0.33%.

Our $\sum P_{i, 2016} Q_{i, 2015}$ was \$26,470,300 (as set out in **Appendix 1**).

Our total $K_{2016} + V_{2016}$ was \$360,223.

The $ANR_{2016} - NR_{2016}$ was \$386,179.

Accordingly, our Allowable Notional Revenue for the Fourth Assessment Period was:

$$\begin{aligned}
 ANR_{2017} &= (\sum P_{i, t-1} Q_{i, t-2} - (K_{t-1} + V_{t-1}) + (ANR_{t-1} - NR_{t-1}))(1 + \Delta CPI_t) (1 - X) \\
 &= (26,470,300 - (360,223) + (386,179)) (1 + 0.33\%) (1 - 0\%) \\
 &= \$26,584,835 \\
 &= \$26.585 \text{ million}
 \end{aligned}$$

1.2 Notional Revenue

Notional revenues are not the same as actual revenues or expected revenues. The DPP requires Notional Revenue for a Pricing Period to be calculated as follows:

$$NR_t = \sum_i P_{i,t} Q_{i,t-2} - (K_t + V_t)$$

where:

- NR_t is the Notional Revenue for the Pricing Period.
- t is the year in which the Pricing Period ends.
- i is each Price relating to a Gas Transmission Service.
- $P_{i,t}$ is the i^{th} Price for any part of the Pricing Period ending in year t .
- $Q_{i,t-2}$ is the Quantity corresponding to the i^{th} Price during the Pricing Period ending two years prior to year t .
- K_t is the sum of all Pass-through Costs for the Pricing Period ending in year t .
- V_t is the sum of all Recoverable Costs for the Pricing Period ending in year t .

The prices that applied for the Assessment Period are as follows:

2016/17 Prices		
Price Plan	Fixed Price (\$/day)	Variable Price (\$/kWh)
GN0R	0.357	0.0261
GN01	0.650	0.0165
GN02	1.154	0.0133
GN03	4.951	0.0102
GN04	15.190	0.0068
GN05	209.800	0.0015

These prices apply for all customers on the First Gas distribution networks other than the non-standard consumers listed in **Appendix 2**.

The price quantities $Q_{i,t-2}$ invoiced by First Gas:

Price Plan	Fixed Quantity (days)	Variable Quantity (kWh)
GN01	761,528	47,536,958
GN02	485,943	119,620,108
GN03	179,946	242,911,973
GN04	23,627	209,855,978
GN05	1,825	143,749,578
GN0R	20,976,117	354,552,651

Therefore, $\sum_i P_{i,t} Q_{i,t-2}$ is \$26,983,065 (as set out in **Appendix 1**).

The Pass-through Costs and Recoverable Costs applied for the 2017 Pricing Period were:

K₂₀₁₇ of \$ 0.4 million (\$398,877)

V₂₀₁₇ of \$ 0

As a result, Notional Revenue for the Fourth Assessment Period in \$million was:

NR₂₀₁₇ = 26,983,065 - 398,877
 = \$26,584,188
 = \$26.584 million

1.3 Pass-through Costs and Recoverable Costs

Pass-through Costs and Recoverable costs that could be applicable for First Gas in the Fourth Assessment Period were those for rates and levies. According to the DPP Determination, such costs must:

- be ascertainable at the time when we set our Prices for a Pricing Period;
- not have already been passed through or recovered in a previous Pricing Period; and
- not relate to costs incurred prior to the Regulatory Period, i.e. prior to 1 July 2013.

Pass-through Costs applicable for First Gas were those for:

- rates on pipeline assets paid or payable to a local authority under the Local Government (Rating) Act 2002; and
- levies payable:
 - under regulations made under section 53ZE of the Commerce Act 1986, for activities of the Commerce Commission;
 - to Utility Disputes Limited (previously called the Electricity and Gas Complaints Commissioner Scheme).

These costs (rounded) for the period were:

Pass-through Costs (\$'000's)	
Local Government rates unrecovered PY2016	197
Commerce Commission levies unrecovered PY2016	171
GIC levies	0
Utility Disputes Limited levies (previously the Electricity and Gas Complaints Commissioner Scheme, EGCC)	31
Total	399

There are no recoverable costs applicable to First Gas during the 2016 or 2017 assessment periods, and therefore none recovered.

The DPP Determination also allows (but does not require) First Gas to make a time-value-of-money adjustment to the amount of Pass-through and Recoverable Costs. This is at a prescribed annual rate of 5.38%. First Gas chose to apply such an adjustment to our Pass-through costs.

1.4 Restructuring of prices

First Gas notes that during the 2016 pricing period, Vector Limited restructured some prices that were applied during that period. This has implications for the historical quantities used in this compliance statement,

Vector introduced a new industrial price category GN05 with effect from 1 October 2015. This price category is available to most consumers with capacity greater than 200 scm/h. It represents an alternative to GN04 and is appropriate for consumers with annual consumption of more than 12,000 MWh. Under the DPP determination, the introduction of GN05 in October 2015 constitutes a price restructure. There is no quantity for the pricing period ending two years prior that reasonably relates to GN05, therefore the sub-provisions of clause 11.4(b) of the DPP Determination apply.

Clause 11.4(b)(i) of the DPP Determination requires information on the methodology used to determine the quantity associated with GN05 for the pricing period ending two years prior ('t-2 quantities') to be presented. First Gas has adopted the methodology applied by Vector for determining GN05 quantities for 2015:

- Vector's methodology first involved determining those customers on GN04 who were financially better off on GN05. Vector then allocated the t-2 quantities associated with these identified customers against GN05.

Clause 11.4(b)(ii) requires quantity information corresponding to each restructured price, including a forecast (at the time of the restructure) and actual quantities. First Gas adopted the quantity information forecast by Vector:

- Vector assumed, for the purpose of forecasting quantities for GN05, that consumers who qualified for, and were financially better off on GN05 would choose these plans. Vector further assumed, for these consumers, that variable quantities would be the same in 2016 as they were in 2014.

In the table below, we set out the quantity information corresponding to GN05 applied in the 2015 pricing period and the actual and forecast quantities in PY2017.

Number of ICPs	Price category PY2015	Price category PY2016	Forecast quantities from PY2015 (t-2)		Forecast quantities for PY2017		Actual quantities from PY2017	
			Fixed (Days)	Variable (kWh)	Fixed (Days)	Variable (kWh)	Fixed (Days)	Variable (kWh)
5	GN04	GN05	1,825	143,749,578	1,825	137,275,479 ¹	1,825	139,011,653

Clause 11.4(b)(iii) of the DPP Determination requires an explanation of the reasons for any difference between forecast and actual quantities for the Pricing Period in which the restructure occurred. We note that the forecast of fixed quantities is equal to the actual fixed quantities. We note that the forecast of variable quantities was slightly lower than actual quantities, with customers increasing their usage above the historical level.

¹ This forecast is based on actual consumption in PY2016, scaled back to account for the fact that 2016 was a leap year.

1.5 Compliance

Compliance with the price path requires that Notional Revenue must not exceed Allowable Notional Revenue for each Assessment Period. As calculated above, NR_{2017} is less than ANR_{2017} .

$$NR_{2017} < ANR_{2017}$$

$$NR_{2017} \$26.584 \text{ million} < ANR_{2017} \$ \$26.585 \text{ million}$$

Therefore, First Gas has complied with the price path for the Fourth Assessment Period.

2. Quality standards compliance

We are pleased to confirm that the quality standard in clause 9 of the DPP Determination has been complied with during the Fourth Assessment Period for the GDB (referred to as Vector Limited in the DPP Determination).

2.1 Calculations

Clause 9 requires us to provide information on 'response time to emergencies' ('RTE') relating to incidents and responses that could fall under this clause and has the following quality assessment formula:

- a) A GTB's RTE values for an Assessment Period must be such that:

$$RTE_{60} / (RTE_t - RTE_{excl}) \geq 0.8 \quad \text{and}$$

$$RTE_{180} / (RTE_t - RTE_{excl}) = 1$$

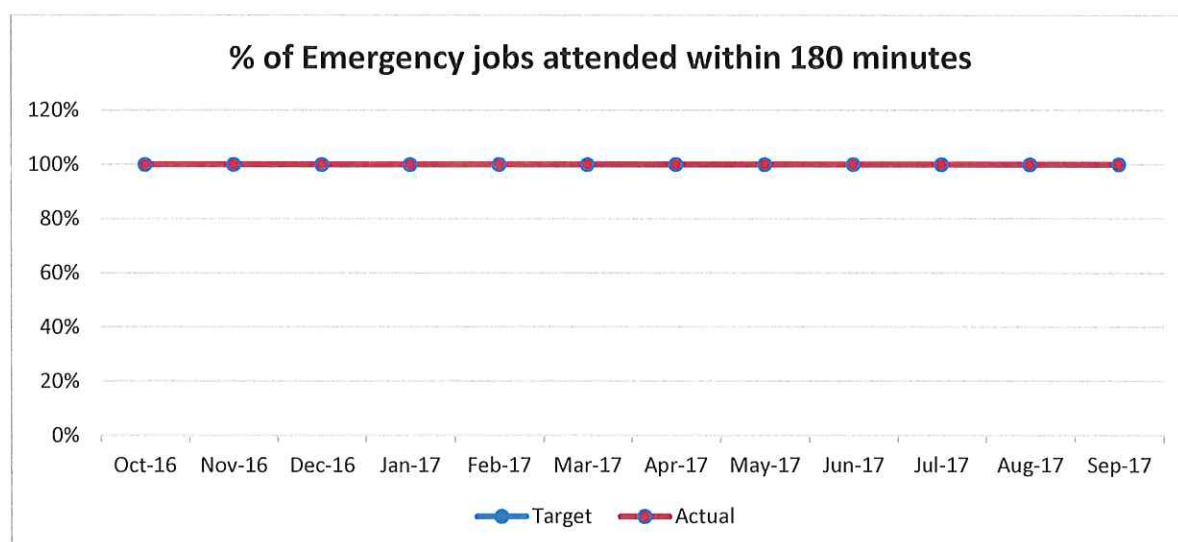
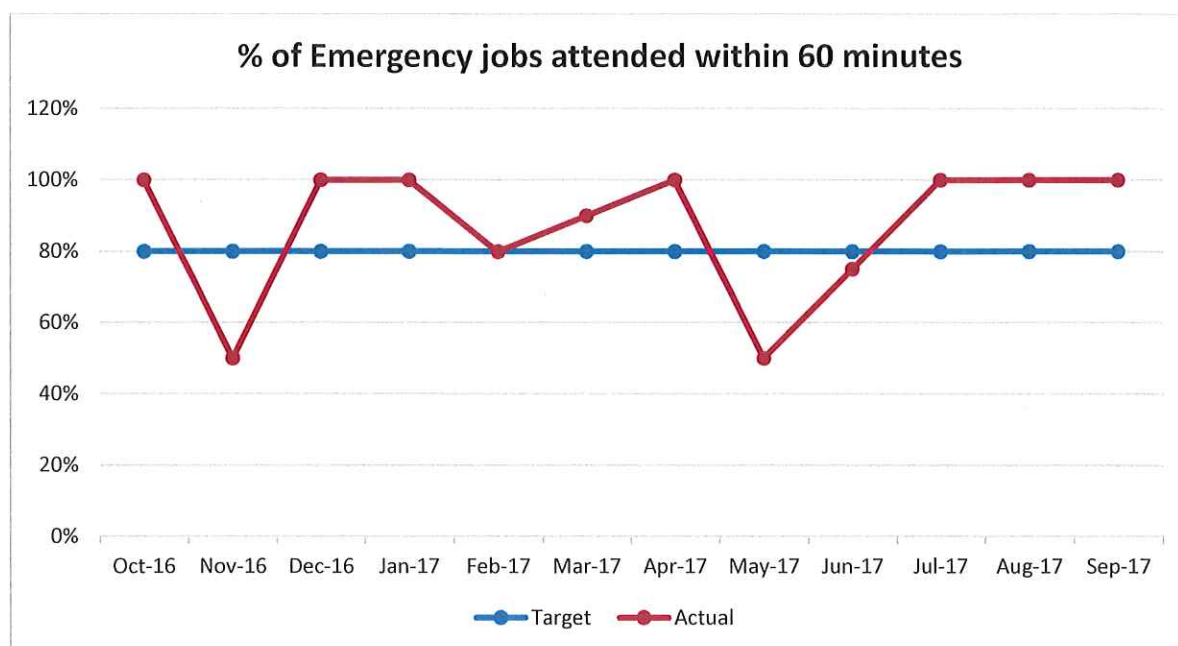
- b) Where, for the purposing of calculating RTE value in (a):

RTE_t	is the total number of Emergencies in the Assessment Period;
RTE_{excl}	is the total number of Emergencies in the Assessment Period for which the Commission has granted exclusion in writing;
RTE_{60}	is the total number of Emergencies in the Assessment Period where the GDB's RTE was less than or equal to 60 minutes; and
RTE_{180}	is the total number of Emergencies in the Assessment Period where the GDB's RTE was less than or equal to 180 minutes;

Emergency is defined in the DPP Determination as follows:

Emergency means:

- an unplanned escape or ignition of gas that requires the active involvement of any emergency service (eg, fire service, ambulance); or
- an unplanned disruption in the supply of gas that affects more than five installation control points (ICPs); or
- an evacuation of a premises as the result of escape or ignition of gas.



As a result:

$$\text{RTE}_{60} / (\text{RTE}_t - \text{RTE}_{\text{excl}}) \geq 0.8$$

$$43 / (48 - 0) \geq 0.8$$

$0.90 \geq 0.8$ TRUE-

Compliant

and

$$\text{RTE}_{180} / (\text{RTE}_t - \text{RTE}_{\text{excl}}) = 1$$

$$48 / (48 - 0) \geq 1.0$$

1.0 \geq 1.0 TRUE-

Compliant

2.2 Policies and procedures

First Gas maintain a number of policies relating to emergency response and require all of our contractors to comply with them at all times. These include standards for defect repair, damage protection and public education, gas leak investigation, maintenance of critical spares and equipment, emergency response event guide and a safety and operating plan.

This suite of documents ensures that all of First Gas' employees and contractors are equipped to respond to emergencies effectively and efficiently.

2.3 Compliance

As calculated above, the quality standard for the Fourth Assessment Period for the First Gas distribution business has been complied with.

Appendix 1: Summary pricing and quantity information

1. Summary of $P_{i,2017}Q_{i,2015}$

	$P_{i,2017}Q_{i,2015}$
Sum	\$ 26,983,065

Residential	$P_{i,2017}Q_{i,2015}$
North Island published charges between 1 October 2016 to 30 September 2017	\$ 25,926,416
North Island non-standard charges between 1 October 2016 to 30 September 2017	\$1,056,649

2. Summary of $P_{i,2016}Q_{i,2015}$

	$P_{i,2016}Q_{i,2015}$
Sum	\$ 26,470,300

Residential	$P_{i,2016}Q_{i,2015}$
North Island published charges between 1 October 2015 to 30 September 2016	\$ 25,444,507
North Island non-standard charges between 1 October 2015 to 30 September 2016	\$ 1,025,793

1. North Island published charges between 1 October 2016 to 30 September 2017

 $P_{i,2017}Q_{i,2015}$

Residential

Price plan	Code	Description	Units	$P_{i,2017}$	$Q_{i,2015}$	$P_{i,2017}Q_{i,2015}$
GN0R	GN0R-FIXD	Fixed	\$/day	\$ 0.3570	20,976,117	\$ 7,488,474
GN0R	GN0R-24UC	Variable	\$/kWh	\$ 0.0261	354,552,651	\$ 9,253,824

Business

Price plan	Code	Description	Units	$P_{i,2017}$	$Q_{i,2015}$	$P_{i,2017}Q_{i,2015}$
GN01	GN01-FIXD	Fixed	\$/day	\$ 0.6500	761,528	\$ 494,993
GN01	GN01-24UC	Variable	\$/kWh	\$ 0.0165	47,536,958	\$ 784,360

Commercial

Price plan	Code	Description	Units	$P_{i,2017}$	$Q_{i,2015}$	$P_{i,2017}Q_{i,2015}$
GN02	GN02-FIXD	Fixed	\$/day	\$ 1.1540	485,943	\$ 560,778
GN02	GN02-24UC	Variable	\$/kWh	\$ 0.0133	119,620,108	\$ 1,590,947
GN03	GN03-FIXD	Fixed	\$/day	\$ 4.9510	179,946	\$ 890,913
GN03	GN03-24UC	Variable	\$/kWh	\$ 0.0102	242,911,973	\$ 2,477,702

Industrial

Price plan	Code	Description	Units	$P_{i,2017}$	$Q_{i,2015}$	$P_{i,2017}Q_{i,2015}$
GN04	GN04-FIXD	Fixed	\$/day	\$ 15.1900	23,627	\$ 358,894
GN04	GN04-24UC	Variable	\$/kWh	\$ 0.0068	209,855,978	\$ 1,427,021
GN05	GN05-FIXD	Fixed	\$/day	\$ 209.8000	1,825	\$ 382,885
GN05	GN05-24UC	Variable	\$/kWh	\$ 0.0015	143,749,578	\$ 215,624

2. North Island published charges between 1 October 2015 to 30 September 2016

	$P_{i,2016}Q_{i,2015}$
Sum	\$ 25,444,507

Residential

Price plan	Code	Description	Units	$P_{i,2016}$	$Q_{i,2015}$	$P_{i,2016}Q_{i,2015}$
GN0R	GN0R-FIXD	Fixed	\$/day	\$ 0.3400	20,976,117	\$ 7,131,880
GN0R	GN0R-24UC	Variable	\$/kWh	\$ 0.0261	354,552,651	\$ 9,253,824

Business

Price plan	Code	Description	Units	$P_{i,2016}$	$Q_{i,2015}$	$P_{i,2016}Q_{i,2015}$
GN01	GN01-FIXD	Fixed	\$/day	\$ 0.6200	761,528	\$ 472,147
GN01	GN01-24UC	Variable	\$/kWh	\$ 0.0165	47,536,958	\$ 784,360

Commercial

Price plan	Code	Description	Units	$P_{i,2016}$	$Q_{i,2015}$	$P_{i,2016}Q_{i,2015}$
GN02	GN02-FIXD	Fixed	\$/day	\$ 1.1000	485,943	\$ 534,537
GN02	GN02-24UC	Variable	\$/kWh	\$ 0.0133	119,620,108	\$ 1,590,947
GN03	GN03-FIXD	Fixed	\$/day	\$ 4.7200	179,946	\$ 849,345
GN03	GN03-24UC	Variable	\$/kWh	\$ 0.0102	242,911,973	\$ 2,477,702

Industrial

Price plan	Code	Description	Units	$P_{i,2016}$	$Q_{i,2015}$	$P_{i,2016}Q_{i,2015}$
GN04	GN04-FIXD	Fixed	\$/day	\$ 14.4800	23,627	\$ 342,119
GN04	GN04-24UC	Variable	\$/kWh	\$ 0.0068	209,855,978	\$ 1,427,021
GN05	GN05-FIXD	Fixed	\$/day	\$ 200.0000	1,825	\$ 365,000
GN05	GN05-24UC	Variable	\$/kWh	\$ 0.0015	143,749,578	\$ 215,624

Appendix 3: Non-standard prices

1. North Island non-standard charges between 1 October 2016 to 30 September 2017

						$P_{i,2017}Q_{i,2015}$	
						\$	\$1,056,649
Sum							
Non-standard							
Price plan	Code	Description	Units	$P_{i,2017}$	$Q_{i,2015}$	$P_{i,2017}Q_{i,2015}$	
0008000053NG9CB	0008000053NG9CB-FIXD	Fixed	\$/day	\$ 414.59	365	\$ 151,325	
0008000080NG849	0008000080NG849-FIXD	Fixed	\$/day	\$ 82.17	365	\$ 29,992	
0008000147NGB68	0008000147NGB68-FIXD	Fixed	\$/day	\$ 57.45	365	\$ 20,969	
0008000047NG26C	0008000047NG26C-FIXD	Fixed	\$/day	-	365	\$ -	
0008000032NGA7E	0008000032NGA7E-FIXD	Fixed	\$/day	\$ -	365	\$ -	
0008000017NGA64	0008000017NGA64-FIXD	Fixed	\$/day	\$ 209.80	365	\$ 76,577	
0008000211NG1EC	0008000211NG1EC-FIXD	Fixed	\$/day	\$ 209.80	365	\$ 76,577	
0008000196NGA6F	0008000196NGA6F-FIXD	Fixed	\$/day	\$ 209.80	365	\$ 76,577	
0009001431NGDA6	0009001431NGDA6-FIXD	Fixed	\$/day	\$ 93.31	365	\$ 34,058	
0008000027NGD9C	0008000027NGD9C-FIXD	Fixed	\$/day	\$ 54.47	365	\$ 19,882	
0008000029NGE07	0008000029NGE07-FIXD	Fixed	\$/day	\$ 89.87	365	\$ 32,803	
0008000033NG63B	0008000033NG63B-FIXD	Fixed	\$/day	\$ 26.63	365	\$ 9,720	
0008000038NG8EF	0008000038NG8EF-FIXD	Fixed	\$/day	\$ 169.48	365	\$ 61,860	
0008000040NGFA6	0008000040NGFA6-FIXD	Fixed	\$/day	\$ 162.53	365	\$ 59,323	
0008000051NG94E	0008000051NG94E-FIXD	Fixed	\$/day	\$ 321.33	365	\$ 117,285	
0008000072NG8DB	0008000072NG8DB-FIXD	Fixed	\$/day	\$ 113.06	365	\$ 41,267	
0008000074NG954	0008000074NG954-FIXD	Fixed	\$/day	\$ 50.96	365	\$ 18,600	
0008000158NGE1B	0008000158NGE1B-FIXD	Fixed	\$/day	\$ 14.48	365	\$ 5,285	
0008000300NGE00	0008000300NGE00-FIXD	Fixed	\$/day	\$ 32.18	365	\$ 11,746	
0008000249NGBF0	0008000249NGBF0-FIXD	Fixed	\$/day	\$ 67.71	365	\$ 24,714	

Price plan	Code	Description	Units	$P_{i,2017}$	$Q_{i,2015}$	$P_{i,2017}Q_{i,2015}$
0008000053NG9CB	0008000053NG9CB-24UC	Variable	\$/kWh	\$	50,583,930	\$
0008000080NG849	0008000080NG849-24UC	Variable	\$/kWh	-	11,702,076	\$
0008000147NGB68	0008000147NGB68-24UC	Variable	\$/kWh	-	3,257,276	\$
0008000047NG26C	0008000047NG26C-24UC	Variable	\$/kWh	-	35,789,987	\$
0008000032NGA7E	0008000032NGA7E-24UC	Variable	\$/kWh	-	71,113,329	\$
0008000017NGA64	0008000017NGA64-24UC	Variable	\$/kWh	0.0015	29,725,182	\$
0008000211NG1EC	0008000211NG1EC-24UC	Variable	\$/kWh	0.0015	26,083,179	\$
0008000196NGA6F	0008000196NGA6F-24UC	Variable	\$/kWh	0.0015	14,736,147	\$
0009001431NGDA6	0009001431NGDA6-24UC	Variable	\$/kWh	0.0006	5,704,649	\$
0008000027NGD9C	0008000027NGD9C-24UC	Variable	\$/kWh	-	126,423,429	\$
0008000029NGE07	0008000029NGE07-24UC	Variable	\$/kWh	-	89,728,311	\$
0008000033NG63B	0008000033NG63B-24UC	Variable	\$/kWh	-	51,482,945	\$
0008000038NG8EF	0008000038NG8EF-24UC	Variable	\$/kWh	-	67,225,231	\$
0008000040NGFA6	0008000040NGFA6-24UC	Variable	\$/kWh	-	152,334,965	\$
0008000051NG94E	0008000051NG94E-24UC	Variable	\$/kWh	-	45,863,898	\$
0008000072NG8DB	0008000072NG8DB-24UC	Variable	\$/kWh	-	177,183,699	\$
0008000074NG954	0008000074NG954-24UC	Variable	\$/kWh	-	116,408,096	\$
0008000158NGE1B	0008000158NGE1B-24UC	Variable	\$/kWh	0.00408	18,325,066	\$
0008000300NGE00	0008000300NGE00-24UC	Variable	\$/kWh	-	83,097,295	\$
0008000249NGBF0	0008000249NGBF0-24UC	Variable	\$/kWh	0.00002	204,108,505	\$
						4,082

2. North Island non-standard charges between 1 October 2015 to 30 September 2016

$P_{i,2016}Q_{i,2015}$

Sum \$ 1,025,793


Non-standard

Price plan	Code	Description	Units	$P_{i,2016}$	$Q_{i,2015}$	$P_{i,2016}Q_{i,2015}$
0008000053NG9CB	0008000053NG9CB-FIXD	Fixed	\$/day	\$ 376.90	365	\$ 137,569
0008000080NG849	0008000080NG849-FIXD	Fixed	\$/day	\$ 74.70	365	\$ 27,266
0008000147NGB68	0008000147NGB68-FIXD	Fixed	\$/day	\$ 52.23	365	\$ 19,064
0008000047NG26C	0008000047NG26C-FIXD	Fixed	\$/day	\$ -	365	\$ -
0008000032NGA7E	0008000032NGA7E-FIXD	Fixed	\$/day	\$ -	365	\$ -
0009000137NG88C	0009000137NG88C-FIXD	Fixed	\$/day	\$ 14.48	-	\$ -
0008000017NGA64	0008000017NGA64-FIXD	Fixed	\$/day	\$ 200.00	365	\$ 73,000
0008000211NG1EC	0008000211NG1EC-FIXD	Fixed	\$/day	\$ 200.00	365	\$ 73,000
0008000196NGA6F	0008000196NGA6F-FIXD	Fixed	\$/day	\$ 200.00	365	\$ 73,000
0009001431NGDA6	0009001431NGDA6-FIXD	Fixed	\$/day	\$ 93.00	365	\$ 33,945
0008000027NGD9C	0008000027NGD9C-FIXD	Fixed	\$/day	\$ 54.29	365	\$ 19,816
0008000029NGE07	0008000029NGE07-FIXD	Fixed	\$/day	\$ 89.57	365	\$ 32,693
0008000033NG63B	0008000033NG63B-FIXD	Fixed	\$/day	\$ 26.54	365	\$ 9,687
0008000038NG8EF	0008000038NG8EF-FIXD	Fixed	\$/day	\$ 168.92	365	\$ 61,656
0008000040NGFA6	0008000040NGFA6-FIXD	Fixed	\$/day	\$ 161.99	365	\$ 59,126
0008000051NG94E	0008000051NG94E-FIXD	Fixed	\$/day	\$ 320.26	365	\$ 116,895
0008000072NG8DB	0008000072NG8DB-FIXD	Fixed	\$/day	\$ 112.68	365	\$ 41,128
0008000074NG954	0008000074NG954-FIXD	Fixed	\$/day	\$ 50.79	365	\$ 18,538
0008000158NGE1B	0008000158NGE1B-FIXD	Fixed	\$/day	\$ 218.50	365	\$ 79,753
0008000300NGE00	0008000300NGE00-FIXD	Fixed	\$/day	\$ 32.07	365	\$ 11,706
00080000249NGBF0	00080000249NGBF0-FIXD	Fixed	\$/day	\$ 67.48	365	\$ 24,630

Price plan	Code	Description	Units	$P_{i,2016}$	$Q_{i,2015}$	$P_{i,2016}Q_{i,2015}$
0008000053NG9CB	0008000053NG9CB-24UC	Variable	\$/kWh	\$	50,583,930	\$
0008000080NG849	0008000080NG849-24UC	Variable	\$/kWh	\$	11,702,076	\$
0008000147NGB68	0008000147NGB68-24UC	Variable	\$/kWh	\$	3,257,276	\$
0008000047NG26C	0008000047NG26C-24UC	Variable	\$/kWh	\$	35,789,987	\$
0008000032NGA7E	0008000032NGA7E-24UC	Variable	\$/kWh	\$	71,113,329	\$
0009000137NG88C	0009000137NG88C-24UC	Variable	\$/kWh	\$ 0.0068	-	\$
0008000017NGA64	0008000017NGA64-24UC	Variable	\$/kWh	\$ 0.0015	29,725,182	\$ 44,588
0008000211NG1EC	0008000211NG1EC-24UC	Variable	\$/kWh	\$ 0.0015	26,083,179	\$ 39,125
0008000196NGA6F	0008000196NGA6F-24UC	Variable	\$/kWh	\$ 0.0015	14,736,147	\$ 22,104
0009001431NGDA6	0009001431NGDA6-24UC	Variable	\$/kWh	\$ 0.0006	5,704,649	\$ 3,423
0008000027NGD9C	0008000027NGD9C-24UC	Variable	\$/kWh	\$	126,423,429	\$
0008000029NGE07	0008000029NGE07-24UC	Variable	\$/kWh	\$	89,728,311	\$
0008000033NG63B	0008000033NG63B-24UC	Variable	\$/kWh	\$	51,482,945	\$
0008000038NG8EF	0008000038NG8EF-24UC	Variable	\$/kWh	\$	67,225,231	\$
0008000040NGFA6	0008000040NGFA6-24UC	Variable	\$/kWh	\$	152,334,965	\$
0008000051NG94E	0008000051NG94E-24UC	Variable	\$/kWh	\$	45,863,898	\$
0008000072NG8DB	0008000072NG8DB-24UC	Variable	\$/kWh	\$	177,183,699	\$
0008000074NG954	0008000074NG954-24UC	Variable	\$/kWh	\$	116,408,096	\$
0008000158NGE1B	0008000158NGE1B-24UC	Variable	\$/kWh	\$	18,325,066	\$
0008000300NGE00	0008000300NGE00-24UC	Variable	\$/kWh	\$	83,097,295	\$
00080000249NGBF0	00080000249NGBF0-24UC	Variable	\$/kWh	\$ 0.0000	204,108,505	\$ 4,082

Appendix 4: Director certificate for compliance

We, Philippa Jane Dunphy and Euan Richard Krogh, being Directors of First Gas Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached compliance statement of First Gas Limited, and related information, prepared for the purposes of the *Gas Distribution Services Default Price-Quality Path Determination 2013* has been prepared in accordance with all the relevant requirements.



Philippa Jane Dunphy
Director

06 December 2017

Date



Euan Richard Krogh
Director

06 December 2017

Date

Appendix 3: Auditor assurance



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

Conclusion

We have concluded that, in all material respects, the Compliance Statement for Gas Distribution services: Default price-quality path compliance for the fourth assessment period commencing 1 October 2016 and ending 30 September 2017 ("the Compliance Statement") has been prepared in accordance with clause 11 of Gas Distribution Services Default Price-Quality Path Determination 2013 NZCC4 ("the Determination").

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to First Gas Limited's Compliance Statement for the assessment period commencing 1 October 2016 and ending 30 September 2017.

Criteria

Our engagement relates to the Compliance Statement prepared by First Gas Limited to provide reasonable assurance that the Gas Distribution's fourth assessment period Default Price-Quality Path is in compliance with clause 11 of the Determination during the assessment period 1 October 2016 to 30 September 2017.

In relation to the price path set out in clause 8 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 4 to 9 of the Annual Compliance Statement.

In relation to the quality standard set out in clause 9 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 10 to 12 of the Annual Compliance Statement.

Our assurance engagement also included assessment of the significant estimates and judgments, if any, made by First Gas Limited in the preparation of the Annual Compliance Statement and assessment of whether the basis of preparation has been adequately disclosed.

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 *Compliance Engagements*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. 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 Compliance Statement is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion 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 Compliance Statement 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 Compliance Statement.

Use of this assurance Report

Our report should not be regarded as suitable to be used or relied on by any parties other than First Gas Limited and the New Zealand Commerce Commission in relation to clause 11 of the Determination, for any purpose or in any context. Any party other than First Gas Limited or 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 conclusions 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.

Directors' responsibility for the Compliance Statement

The directors of the company are responsible for the preparation and fair presentation of the Compliance Statement in accordance with clause 11 of the Determination. This responsibility includes such internal control as the directors determine is necessary to enable the preparation of the Compliance Statement that is free from material misstatement whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion to the directors and on the preparation and presentation of the Compliance Statement in accordance with clause 11 of the Determination.

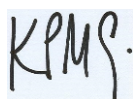
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) 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.

The KPMG logo, consisting of the letters 'KPMG' in a stylized, handwritten font, with a small registered trademark symbol (®) to the right.

KPMG
Auckland

6 December 2017