30 September 2025

Firstgas

Asset Management Plan

Transmission

Disclaimer

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Message from the Chief Executive

Tēnā koutou katoa,

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

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

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

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

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

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

Ngā mihi nui

Paul Goodeve
Chief Executive

Executive summary

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

Introducing the 2025 Asset Management Plan

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

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

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

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

Background to the 2025 AMP

Firstgas owns and operates New Zealand's gas transmission network. Firstgas owns and operates 2,517 kilometres of gas transmission pipelines. These pipelines are essential to transporting large volumes of natural gas from production stations in the Taranaki region to distribution networks and large customers across the North Island.

Clarus

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

Firstgas also owns and operates more than 4,996 kilometres of gas distribution pipelines that service approximately 68,000 consumers across the North Island. Our gas distribution business is also regulated under Part 4 of the Commerce Act 1986 and the 2025 AMP for our gas distribution business is available on our Firstgas website.[2]

Our gas transmission business is focused on transporting gas across the North Island to meet the diverse needs of our customers. This includes industrial use, power generation, commercial applications or residential use for space heating, water heating and cooking. We are focused on ensuring gas is a competitive fuel choice for our customers, while operating within the regulated price-quality framework set by the Commerce Commission.

Our approach is driven by our purpose and mission:

Purpose

Deliver good energy for a brighter Aotearoa.

Mission

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

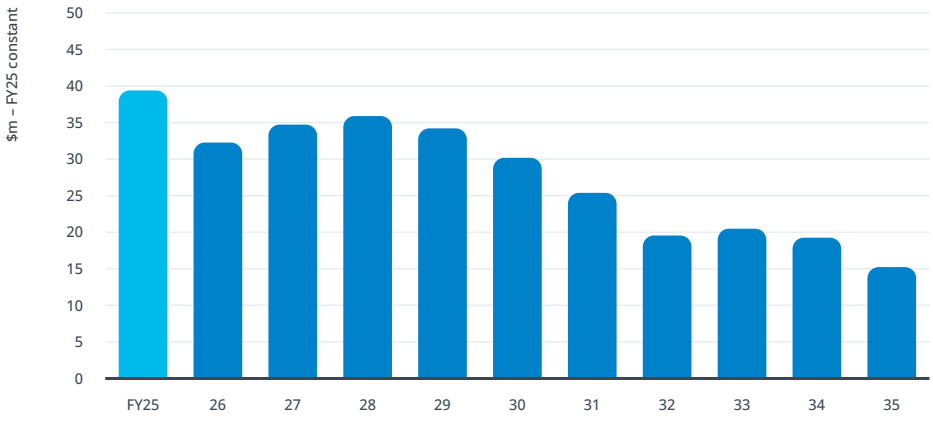
1 Further details are available at the website **clarus.co.nz**
2 Information on the distribution business is available **here**

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

Capital expenditure (capex) forecast

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

Total forecast capex for the planning period (constant FY25)

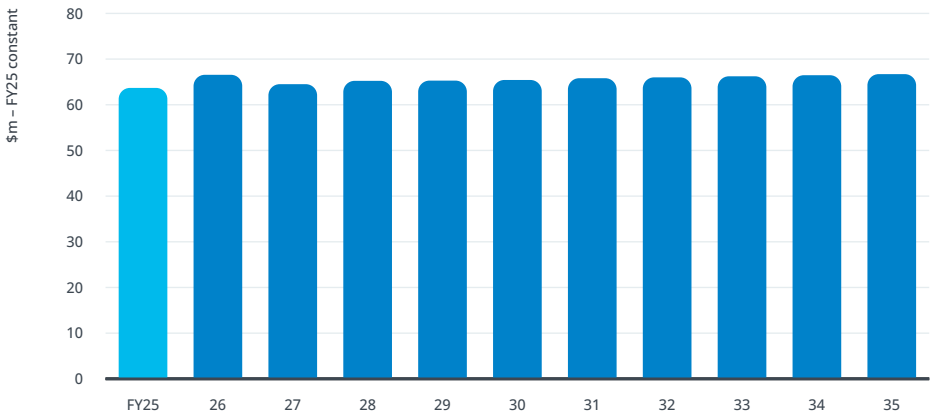


Our capex forecasts are shaped by the need to adapt our network to an evolving operating environment. From FY27 to FY31, we are prioritising programmes of work to optimise future operations, such as replacing electronic assets, including SCADA remote terminal units and odorant dosing controllers, and phasing out aged reciprocating compressors that are now oversized for present-day demand. This approach will ensure our network remains right-sized, resilient, and fit for purpose through to 2040 and beyond as needed.

Operating expenditure (opex) forecast

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

Total forecast opex for the planning period (constant FY25)



We are forecasting an increase in opex over the planning period as evolving gas demand requires further investigation. This includes targeted assessments of which assets may need to be removed from service and when, as well as the decommissioning of stations and compressor units. These activities will help inform future investment decisions and ensure the network is right-sized to meet changing needs.

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

Forecast summary

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

Table of contents

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

1. Introduction

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

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

1.1. Purpose of the gas transmission AMP

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

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

1.2. Alignment with regulatory requirements

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

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

1.3. Period covered by the AMP

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

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

1.4. Scope of the 2025 AMP

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

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

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

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

1.5. Structure of the AMP

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

Table 1.1: AMP Structure

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

The appendices are a separate document and can be viewed here

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

2. Overview of Firstgas

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

2.1. Corporate structure

Firstgas owns and operates 2,517 kilometres of gas transmission pipelines. These pipelines are essential to supplying natural gas to industrial, commercial and residential customers throughout the North Island.

Clarus

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

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

Our gas distribution business is also regulated under Part 4 of the Commerce Act 1986 and the 2025 AMP for our gas distribution business is available on our Firstgas website.[8]

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

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

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

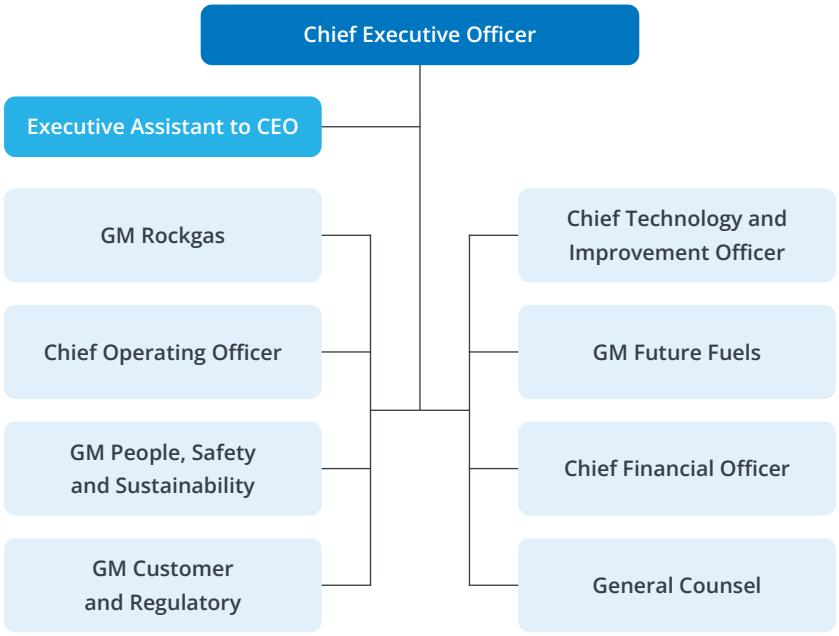
2.1.1. Firstgas Board

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

2.1.2. Organisation Structure

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

Figure 2.1: Organisation chart



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

2.2. Our gas transmission network

Firstgas owns and operates the gas transmission network consisting of underground pipelines, compressor facilities and above-ground stations in the North Island of New Zealand. The transmission network incorporates both the Maui and non-Maui[10] transmission pipelines, as set out in Figure 2.2 below.

The transmission network is 2,517 kilometres in length, with approximately 155 kilometres installed in urban areas and the remainder in rural areas. The nominal internal diameter of the pipelines ranges from 50mm to 850mm, with the majority installed below ground. The pipelines connect 246 stations that contain a range of equipment designed to receive, transmit and deliver gas safely and efficiently to customers.

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

Table 2.1: Gas Transmission Network Statistics

STATISTIC	VALUE
Network length (kilometres)	2,517
Compressor stations	9
Compressor units	20
Offtake points	123

Figure 2.2: High pressure gas transmission pipelines

10 The gas transmission network purchased from Vector Limited in April 2016.

2.3. Asset management strategy

At Firstgas, we put significant effort into ensuring we safely, reliably and cost-effectively supply gas to our customers. We will also investigate opportunities with renewable gases where economic. We believe that having more customers, with more diverse needs, makes our business more resilient in the near term and ultimately leads to more competitive prices for all customers accessing and using our networks.

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

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

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

Further details on our asset management strategy can be found in Appendix C of the accompanying AMP appendices document[11].

2.3.1. Objectives for our gas transmission network

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

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

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

2.4. Stakeholder engagement

Firstgas recognises the importance of regular engagement with major gas users, customers and the communities who rely on the consistent and safe delivery of large volumes of gas to maintain their ongoing productivity and business. A focus on maintaining regular dialogue with stakeholders provides important feedback, to improve the transmission services across the network.

Our focus is to engage with our stakeholders on a range of topics, including:

- Regular updates to stakeholders, providing them with information and updates on significant transmission topics.
- Continued participation in meetings of the major gas users' group (MGUG) to share detailed operational plans and gather feedback. These meetings also served as a platform to discuss common areas of interest and address issues facing the gas sector, such as the development of a gas transition plan.
- Regular meetings with gas producers to address relevant matters and explore opportunities for enhancing gas quality and compliance with specifications.
- Continued engagement with EmsTradepoint, the wholesale gas market operator, by actively participating in their operations working group. This involvement helps gain a better understanding of how gas trading impacts the competitiveness of the New Zealand gas market.
- Actively participating in monthly meetings with the critical contingency operator (CCO) to discuss pertinent issues and ensure preparedness for potential critical contingency events.
- Providing input as the transmission system owner during the CCO's annual training sessions, which are attended by shippers, large consumers, retailers, producers, and gas distribution companies.

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

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

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

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

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

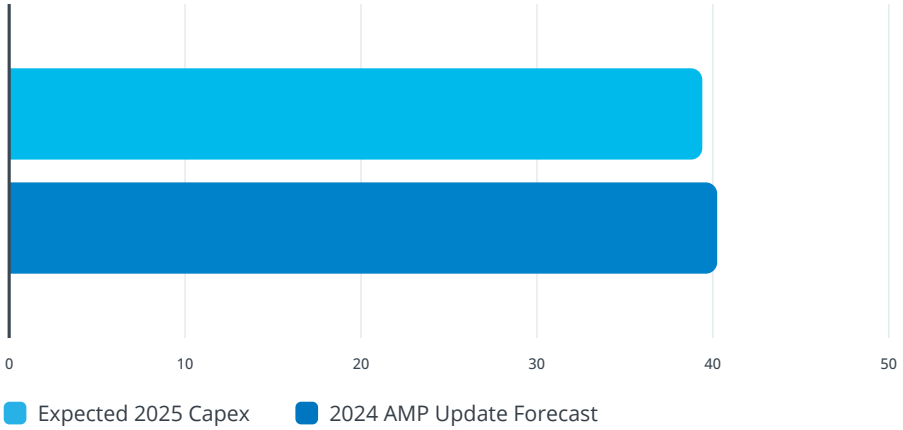
3. Year in review

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

3.1. Capital expenditure summary

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

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

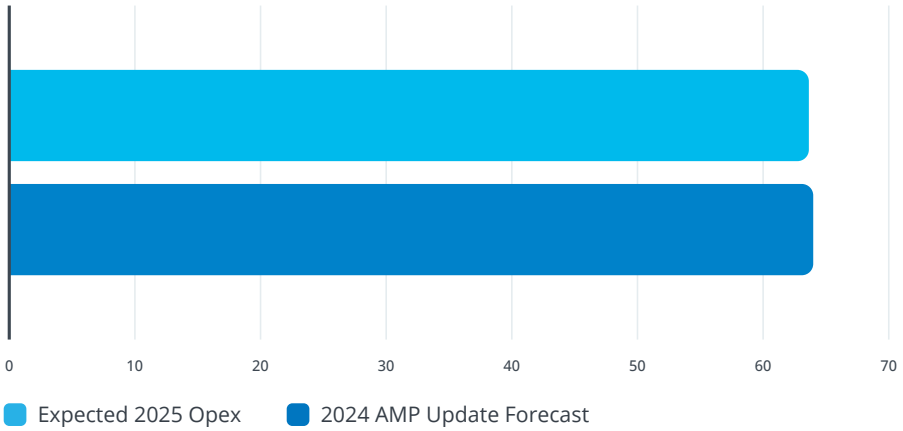


Expected FY25 capex is forecast to be slightly lower than the forecast set out in our 2024 AMP update. The marginally lower expenditure is attributed to strict adherence to project cost controls and schedule.

3.2. Operating expenditure summary

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

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



Opex in FY25 is expected to be less than one per cent below our 2024 AMP update forecast. These included the following:

- increased routine, corrective maintenance and inspections (RCMI)
- a reduction in compressor fuel opex achieved through further optimisation of compressor usage
- reduced service interruption incident and emergency expenditure due to fewer incidents on the network.

3.3. Significant activities undertaken in FY25

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

3.3.1. Reporoa biogas facility

First Renewables has successfully completed the construction of its biogas upgrading facility at Ecogas' organic processing facility in Reporoa. Now operational, the facility upgrades biogas by removing contaminants to ensure pipeline quality biomethane. The upgraded biomethane is being supplied via the Firstgas transmission and distribution networks to homes and businesses in the Taupo region. This project represents a first-of-its-kind initiative in New Zealand, utilising advanced technology that is well-established in North America and Europe. In addition, carbon dioxide byproduct, previously considered waste, will be removed from the biogas, further treated, and supplied to a nearby glasshouse to enhance crop production—reducing reliance on natural gas.

3.3.2. Hydrogen blending trial

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

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

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

3.3.3. SCADA system replacement

In FY24 we began a project to replace the outdated SCADA system. The upgrade covers design, supply, configuration, installation, integration, testing, and commissioning for both primary (production) and secondary (disaster recovery) systems.

Both systems have been built and factory acceptance testing completed, with site acceptance testing to be complete by the end of September 2025.

3.3.4. Kaitoke compressor station upgrade

The Kaitoke upgrade began in FY24 to install two smaller (50% duty) machines at the Kaitoke Compressor Station south of Whanganui. Upon commissioning, these new compressors will replace the existing unit 1, with the older existing unit 2 becoming the backup spare. This setup will ensure adequate line pack in the southern network (Wellington and Hawkes Bay). The upgrade will improve reliability, avoid significant capex on the older machines, reduce opex costs while reducing carbon emissions. This upgrade also enables further optimisation of the wider compressor network.

The new compressors arrived in early 2025, and construction works are nearing completion. Several utility systems have been commissioned, and preparation for commissioning of the compressors is ongoing. The compressors are expected to be operational in October 2025.

3.3.5. Mōkau turbine core exchange

The Mōkau Compressor Station facilitates gas compression from the Taranaki region northwards, providing natural gas to Waikato, Bay of Plenty, Auckland and Northland regions.

The core of unit 1 gas turbine required replacement to extend the operational life of the compressor package. This changeout was executed in alignment with the manufacturer's (Solar) recommended core exchange interval of 30,000 running hours, ensuring continued operational reliability and compliance with gas compression and redundancy requirements.

In March 2025, the existing engine was successfully replaced with a new engine core, achieving all project objectives. Solar then assessed the previous engine and confirmed that observed wear was consistent with expectations, indicating that current maintenance practices are sufficient.

3.3.6. Stress corrosion cracking (SCC)

In AMP 24 we discussed the identification of SCC on specific pipelines and the need to complete more excavations to understand the scale of the SCC. Specifically, for the 400B pipeline from Rotowaro to Southdown, we have since updated our approach and will be running an electromagnetic acoustic transducer (EMAT) pipeline inspection tool in one of our pipelines. We were able to reprioritise expenditure to accommodate the change in approach. Work will be completed in FY26 to update the approach of managing SCC in this pipeline and to understand whether this can be managed within existing expenditure allowances by reprioritising work, reopeners or the need for a customised price-quality path (CPP). All other instances of SCC are currently being managed in the short term by operational practices, until appropriate long-term solutions are agreed.

3.3.7. Water bath heater inspection program

In 2025, the water bath heater inspection program achieved record efficiency, completing 19 inspections by June. The introduction of a new inspection process streamlined data capture and scheduling, while targeted training sessions aligned inspection techniques across teams, enabling faster and more consistent compliance. With these improvements, we remain firmly on track to complete the full inspection program for the year, positioning us well to meet all work targets within planned timeframes.

3.4. Performance of the transmission network

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

Table 3.1: Gas Transmission Network Performance[13]

KEY PERFORMANCE INDICATOR	FY24	TARGET	PERFORMANCE
Response time to emergencies	100%	100%	Target met
Major interruptions	0	0	Target met

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

4. Expenditure forecasts

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

4.1. Context for our forecasts

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

Note on expenditure charts

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

Expenditure is presented according to our internal categories, which are aligned with the Commerce Commission's information disclosure categories. Further details are set out in schedules 11a and 11b, in Appendix B of the accompanying AMP appendices document[13].

Work was completed in FY25 to assess the impact of both sustained and reduced capital investment across the 2040, 2050, and 2060 timelines. This analysis provided valuable insights into how long-term investment decisions will influence safety, operability and economic sustainability of the network. A key outcome is a need to continue investing in specific areas where issues are highly likely to occur in the expected timelines. This ensures that network performance remains satisfactory and that substantial late life investment is avoided, but also that with time the ability, and need to rationalise ongoing investment provides greater benefits.

Over the next five years, our focus will shift to reviewing and adapting our asset strategies for both the short and long term to ensure they accommodate any necessary changes in investment required for the continued efficient operation of the network to at least 2040 and beyond. These efforts will ensure our investment profile remains appropriate and responsive to emerging requirements, supporting the ongoing effectiveness and efficiency of our network in the face of evolving industry, consumer and regulatory expectations.

Looking ahead, we are actively evolving our asset class strategies to address the changing operating environment specifically, scenarios of limited gas supply, reduced consumption, and a declining number of connections. For example, recognising the need for agility, we are re-examining our approach to managing geohazards and pipeline defect repairs. In this context, we are beginning to consider solutions with intentionally shorter asset lifecycles, thus avoiding unnecessary long-term capital commitments as the future use of the network becomes increasingly uncertain.

As part of this shift, work is planned for the DPP4 period to review and update our overarching asset strategies, ensuring they remain fit for purpose as operating requirements evolve. Notably, a few projects will be remediated with opex-based solutions, rather than traditional capital-intensive replacements or upgrades. This transition has resulted in an increase in our RCMI budget allocation for DPP4, enabling us to flexibly address emerging risks and maintain network reliability without over-investing in long-lived infrastructure. We anticipate this opex-driven approach will continue to grow in importance into the following DPP5 period, aligning our asset management strategy with the direction of energy transition and customer needs.

13 The appendices document is available here

4.2. Capex forecast

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

Consumer connection

Includes expenditure related to connecting new customers to our network.

System growth

Includes expenditure related to upgrading capacity on the transmission network.

Asset replacement and renewal

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

Asset relocations

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

Reliability, safety and environment

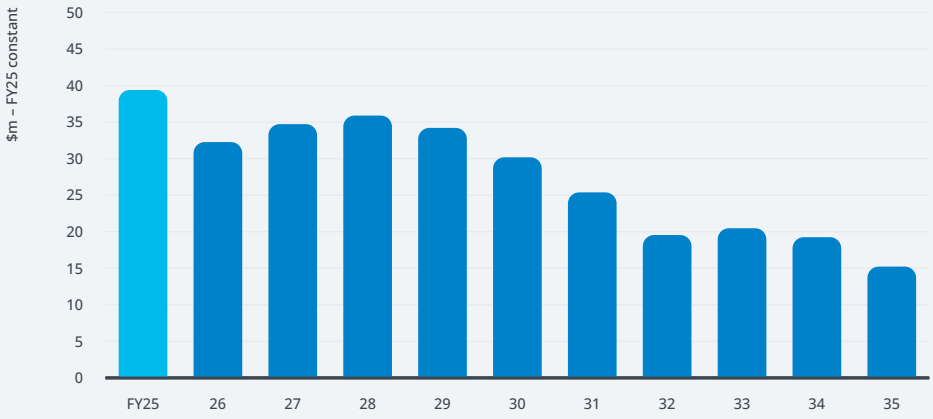
Investment in assets to address specific reliability, safety and environmental issues on the network.

Non-network capex

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

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

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



Our capex profile over the planning period is principally shaped by the asset replacement and renewals programme, which addresses immediate needs to renew the transmission network, ensuring its continued safe and reliable operation through to 2040 and potentially well beyond. Rather than being driven by network growth or significant demand for new consumer connections, which remain minimal in our forecast, the focus centres on renewing and future-proofing our core infrastructure.

The asset replacement and renewal programmes include the targeted replacement of critical SCADA remote terminal units and replacement of odorant injection controllers, both of which are essential for safe operation of the network. An important initiative is delivering the compressor optimisation program by right-sizing our existing aged compressor units. We currently have two units that are oversized relative to expected demand, so optimising their capacity will increase network efficiency and reduce ongoing maintenance and emissions.

Additionally, ensuring pipeline integrity is underpinned by our inline inspection programme that will proactively identify and address any sections of pipeline at risk of degradation. These proactive measures are designed to mitigate pipeline failure risks as our infrastructure ages.

By maintaining our focus on strategic asset renewal and lifecycle management, the transmission network is being right-sized, ensuring it remains responsive to evolving operational requirements, even in the absence of major network expansion or new connections. Ensuring we continue with these strategic programs of work will help us to potentially reduce capex in future planning periods. Collectively, these investments position the network to meet both current and future demand.

4.2.1. Consumer connection

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

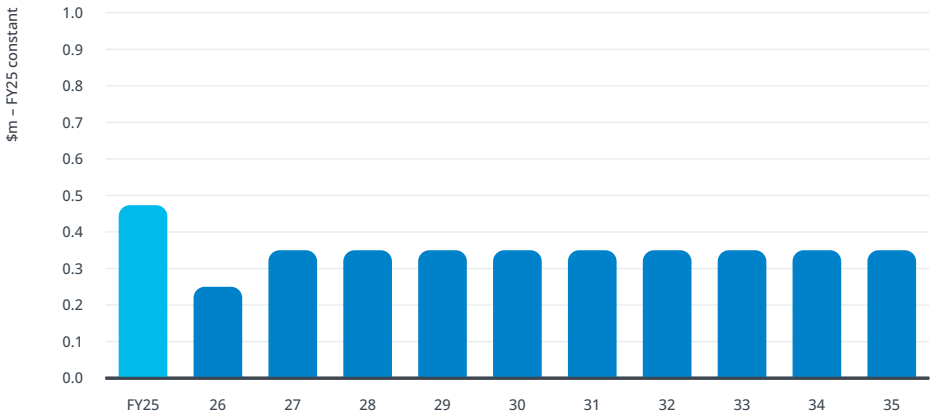
We are currently forecasting no connections capex being funded by Firstgas in the planning period. Should any funding be required for new connections, these will need to be either fully funded by the connecting party, through reprioritisation of available capex, or potentially via a reopener.

4.2.2. System growth

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

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

Figure 4.2: System growth capex for the planning period (constant FY25)



Despite forecasting minimal system growth across the planning period, we have prudently made an allowance to accommodate potential blended gas opportunities should they emerge.

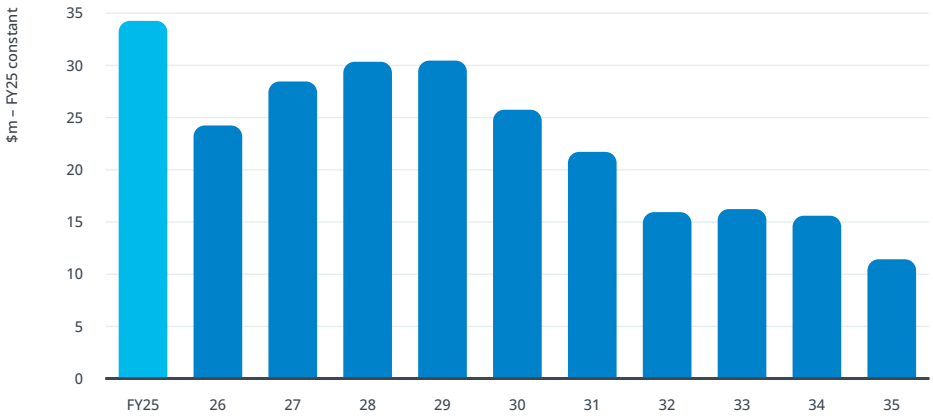
4.2.3. Asset replacement and renewal

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

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

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

Figure 4.3: Forecast renewal capex for the planning period (constant FY25)



The asset replacement and renewal forecast are primarily driven by expenditure on pipes and compressors. Additionally, several projects are planned during the DPP4 period to improve network operation for ongoing operation until at least 2040, with provision for continued operation if needed. These programs will address the replacement of outdated electronic equipment at our stations, including SCADA remote terminal units, flow computers, and odorant injection controllers, as well as the replacement of oversized reciprocating compressors, which are no longer suitable for operating at reduced demand.

We are forecasting a substantial decrease in asset replacement and renewal expenditure from FY31 onwards.

Assumptions

Our expenditure forecasts presuppose the continuation of current technology trends and operational practices, while also allowing for the introduction of new asset strategies within the planning horizon. These strategies are expected to enable more cost efficient management in the context of reduced demand and customer numbers. Where major projects—such as the replacement of outdated equipment and oversize compressors—are planned, it is assumed that these will deliver operational benefits extending network life until at least 2040, with flexibility for further extension if necessary.

- Key DPP4 capex projects will set the network up to operate at a lower capex profile in the remainder of the period. E.g. Rotowaro, remote terminal unit, flow computers and odorant.
- Revision of asset strategies will be completed in DPP4 to manage the asset at lower levels of capex.
- Follow-up work from the 400B EMAT in-line inspection can be managed within existing allowances/reprioritisation and no additional routine maintenance works are anticipated once this project is complete. If the volume exceeds expenditure allowances, work will be funded through either a reopener, deferral to DPP5 or a customised price-quality path.

Pipeline forecast

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

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

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

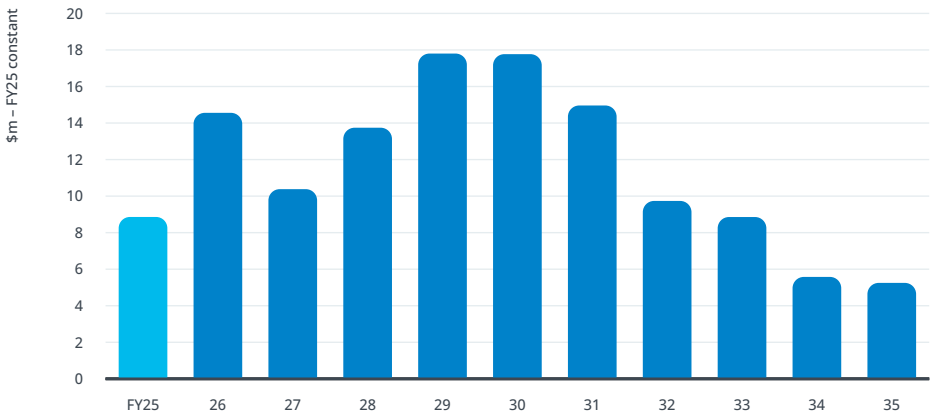


Table 4.1: Key pipeline capital investments for the planning period.

KEY AMP 25 PIPELINE PROJECTS	AMP 25 FORECAST ($'000)
Maungapukatea realignment	17,000
Pipeline inline inspections (pigging)	38,065
Awakau road pipeline repair	7,800
Kaitoke stream crossing pipeline replacement	2,630

The pipeline forecast is fundamentally shaped by three principal drivers: the pipeline inspection program, geohazard remediation, and defect repairs.

The pipeline inspection program is central to the ongoing assurance of network integrity. It conducts internal inspection of pipelines at intervals typically ranging from five to ten years, with the frequency determined according to a risk-based assessment of location, pipeline condition and environmental exposure. These inspections are designed to proactively identify a range of potential defects, including internal corrosion, wall thickness loss, the development of strain, and pipeline movement. By systematically inspecting for such issues, we are able to implement targeted repairs before minor defects can escalate into major threats to asset reliability.

Geohazards present a unique and evolving risk to buried pipelines, arising chiefly from land movement, river and stream erosion. Such geotechnical threats can lead to excessive bending, deformation or exposure of the pipeline, ultimately raising the risk of leaks or unplanned supply interruptions. Our geohazard management strategy is tailored to the specific nature and severity of the hazard identified. Common mitigation measures include relieving accumulated strain within the pipeline, installing drainage or monitoring systems to manage water and detect movement, and applying additional concrete protection. In instances where risk cannot be managed by these measures alone, it may be necessary to replace or relocate sections of pipeline.

The third principal driver, defect repairs, refers to expenditure dedicated to rectifying pipeline sections where defects have been detected through the inline inspection program. Typically, these repairs involve the installation of welded sleeves over affected areas to reinforce pipeline integrity and prevent further deterioration. In more severe cases, when defects cannot be adequately mitigated by sleeves alone, a section of the pipeline may need to be cut out and replaced.

Compressor forecast

This expenditure is dedicated to the refurbishment and replacement of infrastructure related to our compressor stations and individual compressor units.

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

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

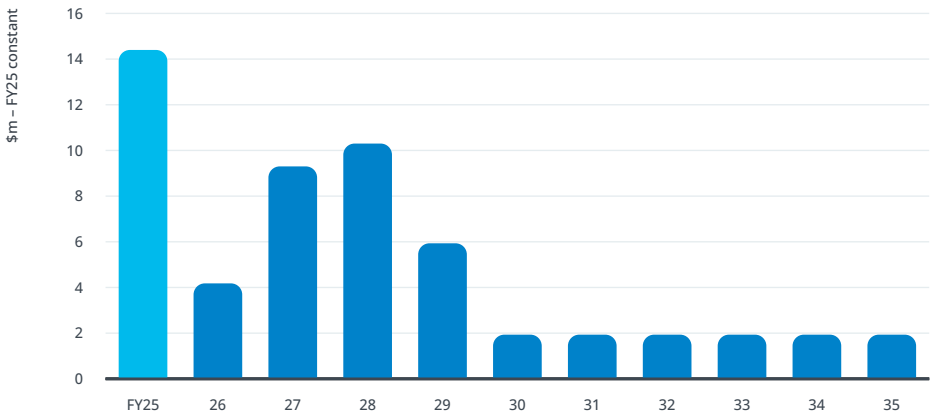


Table 4.2: Key compressor capital investments for the planning period.

KEY AMP 25 COMPRESSOR PROJECTS	AMP 25 FORECAST ($'000)
Rotowaro compressor unit right-sizing	15,000
Routine compressor refurbishments	12,000
Southern network reinforcement	5,000

There are two principal drivers behind the forecasted compressor capital expenditure. The first relates to the scheduled refurbishment and overhaul of existing compressor units. These activities, such as major overhauls or turbine core exchanges, are undertaken on an hours-based frequency to ensure ongoing safety and operational reliability. As compressor units accrue operational hours, components inevitably experience wear, making routine refurbishments essential to prevent unplanned outages and to deliver consistent, safe performance.

The second major driver is the continuation of our compressor optimisation program by right-sizing our compressor fleet in response to network demand profiles that are now significantly lower than in previous years. This new operational reality necessitates the replacement of oversized and outdated units to align capacity with actual network needs. A central project in this area is the replacement of two reciprocating compressor units at the Rotowaro Compressor Station. The current units are oversized, resulting in inefficient operation and increased risk of reliability issues due to the compressors not functioning within their optimal operating envelope. The Rotowaro compressors are especially critical, as they supply compressed gas to key demand centres, including Auckland, Hamilton, and the Matamata-Piako region. Addressing equipment efficiency at this site is vital for the integrity and performance of the wider network.

In addition, we are investing to support the reliability of our southern network, extending from New Plymouth through to Wellington and Hawke's Bay. This investment is intended to deliver, long-term redundancy for the network, operating in tandem with the Kaitoke Compressor Station.

Other stations forecast

This expenditure is dedicated to the refurbishment and renewal of equipment installed at our stations that are not classified in the other expenditure categories. Assets in this category include, but are not limited to, pressure reducing equipment, pressure protection equipment, valves, instrumentation, and pig receivers and launchers.

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

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

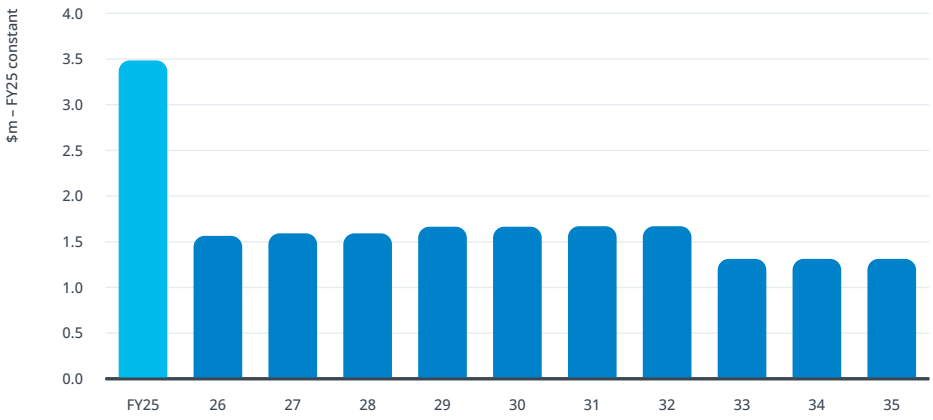


Table 4.3: Key Other stations capital investments for the planning period.

KEY AMP 25 OTHER STATION PROJECTS	AMP 25 FORECAST ($'000)
Horotiu faulty valve replacements	388
Pāuatahanui site entrance way redesign	226
Kinleith pipe support replacement	98
Kapuni odorant system replacement	63
Waitōtara pressure safety valve replacement	148

Expenditure in this category is expected to remain stable throughout the period, with a series of targeted small works aimed at replacing valves, pressure safety valves, pipe supports, and other essential components. Alongside these replacements, we have undertaken a thorough review of routine expenditure within this category, specifically in relation to our management of minor technical change (MoC) processes and full station coating refurbishment programs.

As a result of this review, we are implementing several changes. Routine expenditure will increasingly support a maintenance-focused approach, resulting in a rise in the routine corrective maintenance and inspection budget to accommodate these shifts. The MoC program will now concentrate on minor overhauls and repairs. Meanwhile, the station coating refurbishment program is transitioning to a risk and condition-based remediation strategy.

SCADA and communications forecast

This expenditure is dedicated to the lifecycle management of our supervisory control and data acquisition (SCADA) system. Assets in this category are installed both on site and in our control room. They monitor pipeline and station operations, provide disaster recovery systems during natural disasters, and support the equipment and screens needed by control room operators to operate the network.

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

Figure 4.7: Forecast SCADA and communications capex for the planning period (constant FY25)

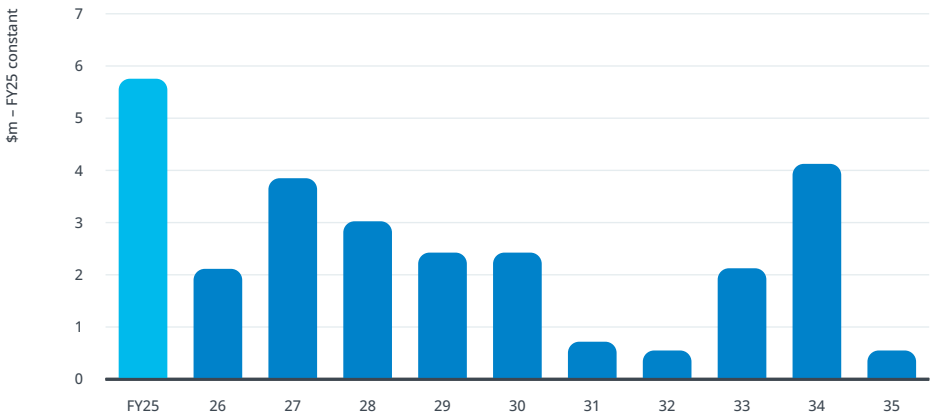


Table 4.4: Key SCADA and communications capital investments for the planning period.

KEY AMP 25 SCADA AND COMMUNICATION PROJECTS	AMP 25 FORECAST ($'000)
Remote terminal unit and flow computer replacement	8,200
SCADA master system update (FY33/34)	5,000
Site lifecycle replacements	2,500
SCADA master system enhancements and process historian	1,500
Cybersecurity hardening	500
Control room lifecycle replacements	375

To ensure the SCADA system can operate reliably through to at least 2040 there is a short-term need to renew older equipment, including several remote terminal units which are obsolete. Our flow computers need to be replaced in the near term with alternative systems better suited for future operational needs. A key strategy is the replacement and consolidation of our remote terminal units and flow computer units at each station.

These investments will occur over an extended period, taking into account operational needs across our sites and differences in communication protocols.

Historically, we have deployed a dedicated flow computer and remote terminal unit for each site, but advancements in technology should enable the consolidation of multiple flow computers into a single, integrated unit alongside the remote terminal unit.

In addition to the primary focus on remote terminal unit and flow computer upgrades, expenditure is also driven by ongoing lifecycle management of site hardware, particularly for cybersecurity and communications infrastructure. A further update to the SCADA master system will be required later in the planning period to ensure sustained operational integrity and dependable service delivery.

Special crossings forecast

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

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

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

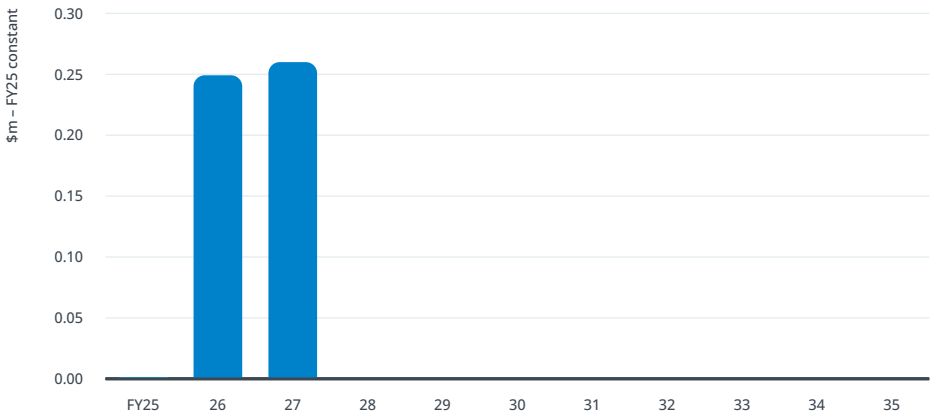


Table 4.5: Key special crossings capital investments for the planning period.

KEY AMP 25 SPECIAL CROSSINGS PROJECTS	AMP 25 FORECAST ($'000)
300 line crossing ground-to-air interface	250

Capital expenditure for special crossings is forecast to remain low throughout the planning period. This reflects the current sound condition of the protective coatings on existing crossings, which continue to perform well and require only routine maintenance. A project has been initiated for remediation of ground-to-air pipeline entry and exit points on the 300 pipeline crossing at Kaiauai Stream, as these areas are susceptible to natural wear on ground protection wraps and typically require repair. Notably, remedial work has already been completed in FY25 on one of the larger pipeline crossings over the Waikato River, further reducing the need for significant expenditure over the AMP period.

Stations components forecast

This expenditure is dedicated to the refurbishment and replacement of specific equipment located in many of our stations, including pipeline filtration, gas quality monitoring, gas metering, and corrosion protection on pipelines.

These are asset fleets within station components.

- Main line valves
- Heating systems
- Odorisation plants
- Coalescers
- Metering systems
- Cathodic protection
- Chromatographs

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

Figure 4.9: Forecast station components capex for the planning period (constant FY25)

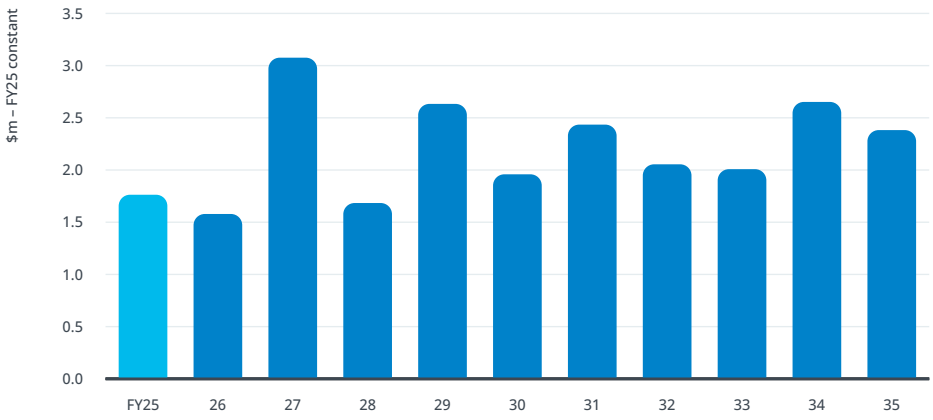


Table 4.6: Key station components capital investments for the planning period.

KEY AMP 25 STATION COMPONENTS PROJECTS	AMP 25 FORECAST ($'000)
Main line valve remediation and refurbishment	4,700
Heater remediation, refurbishment and inspection	2,185
Burner management system replacement	3,150
Odorant injection replacement	2,500
Lifecycle flow meter replacements	1,001
Metering corrector lifecycle replacements	1,100
Cathodic protection lifecycle replacements	2,037

Main line valves

We are currently undertaking a comprehensive review of our lifecycle management strategy for main line valves (MLVs), addressing the challenge of ongoing obsolescence in the existing fleet. The high cost associated with the replacement of each valve requires us to re-examine our approach and seek opportunities for optimisation, ensuring that any reduction in the number of MLVs does not compromise the integrity of isolation, pipeline operations, or the safety of the network. By carefully evaluating the criticality of each valve, we aim to streamline our asset base while maintaining robust network performance.

The underlying assumption of our forecast is that targeted optimisation will reduce long-term investment requirements by reallocating valves that are deemed non-essential into spare stock for ongoing support of the remaining fleet.

Heating systems

Our forecast for refurbishment and remediation of heaters has decreased. This is largely attributable to the improved condition of our heaters, the result of refurbishment over the past decade. With a greater proportion of heaters now in better internal condition, we are increasingly able to conduct inspections onsite rather than relying on costly removal processes. This has enabled us to reduce capital expenditure for fleet renewal and instead prioritise proactive onsite inspection and maintenance. The change in approach has led to an increased forecast of opex.

Odorisation plant

To further safeguard public safety and support safe network operation, we have scheduled the replacement of odorant injection systems at two critical pipeline locations. These sites are strategically significant, as they supply gas to some of the most densely populated regions on our network, including Auckland, Waikato, and the Bay of Plenty. Odorant plays a vital role in natural gas transmission by imparting a distinct smell that enables rapid leak detection, thereby protecting both people and property.

Coalescers

There is minimal capex forecast on our coalescer fleet. Current renewals primarily address drain valve systems and level detection instrumentation. The fleet remains in good condition, benefitting from frequent inspections aligned with our pressure equipment management plan.

Metering systems

Most of our planned spending for metering systems is focused on replacing turbine flow meters and electronic correctors, which are critical for accurately measuring gas supplied to distribution networks and direct customers. We are also working to combine our flow computer fleet with new remote terminal units onsite.

Cathodic protection

Cathodic protection (CP) is a vital safeguard for our pipeline network, providing critical defence against corrosion and ensuring the long-term integrity of buried assets. We are currently updating our asset strategy for CP, placing particular emphasis on proactive renewals. Our forecast renewals include CP rectifier units, CP coupons, test points, and anode beds. In some instances, rectifiers must be replaced or upgraded to counteract increased external interference and to deliver enhanced protection levels.

Chromatographs

We have a minimal capex forecast for the replacement of gas chromatographs (GCs). Due to changes in network demand and operation, we can reactively manage GCs and have allocated expenditure specifically for the reactive replacement of units as required.

4.2.4. Asset relocations

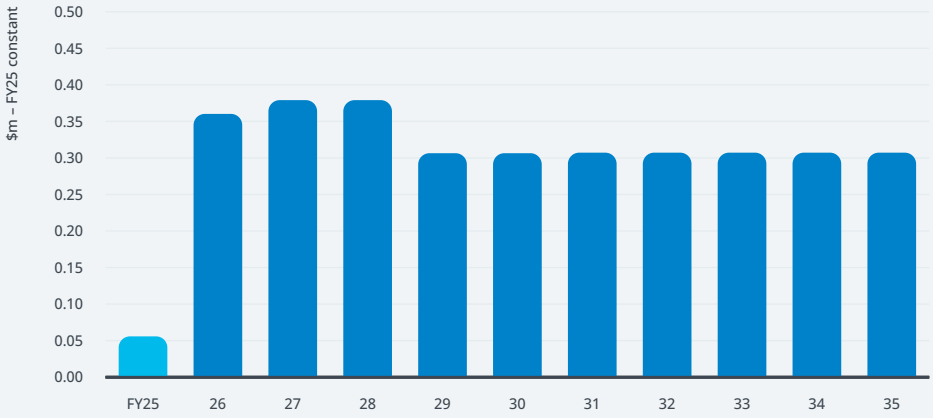
Asset relocations spend includes the portion of the cost that we cover to relocate assets following customer requests. By its nature, asset relocations expenditure is difficult to predict with certainty.

Existing services are relocated when required because of the activities of other utilities, authorities or customers. For example, the development of a state highway in the vicinity of assets may require the relocation of these assets. Relocations are identified following third-party works notifications. Typically, asset relocation projects are predominantly funded through capital contributions by the third parties requesting the relocation

Urban encroachment is having an increasing impact on our expenditure planning. There are currently enquiries to relocate our pipelines throughout growth areas including Northland and the wider Auckland region and we are expecting this to result in an increase in capex forecasts but require further information from developers.

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

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

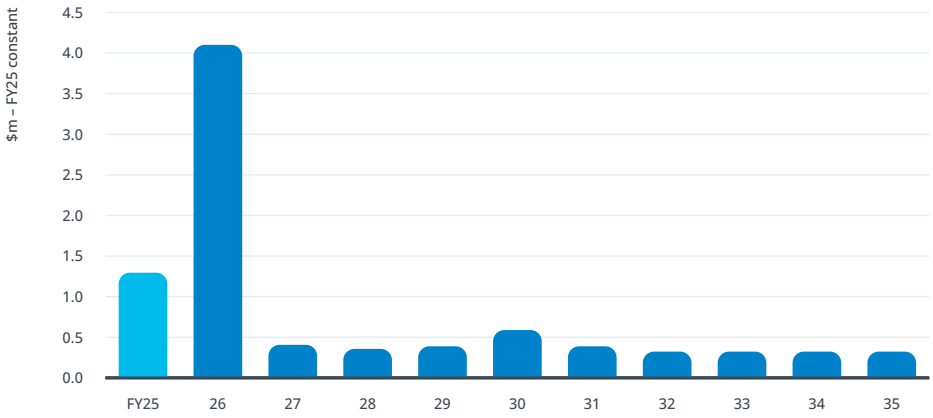


4.2.5. Reliability, safety and environment

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

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

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



In AMP 25, there are two primary factors contributing to short-term expenditure before it normalises to historical levels. The first is a project aimed at reinforcing the network in the New Plymouth area after optimising the sizing of compressor stations along the southern network, specifically from New Plymouth to Wellington. The second program involves installing vehicle impact protection to safeguard above-ground assets from potential damage by out of control vehicles, typically these are on or near corners or intersections. Both initiatives remain on schedule for completion in FY26.

A potential future driver, which currently remains difficult to forecast, stems from historical gaps and omissions in the land planning and zoning process. This has resulted in a situation where land outside our existing easements has become significantly developed, necessitating the implementation of additional safety controls to manage the increased risk posed by intensified urban activity. These measures are critical to ensure the pipeline remains suitable for its environment and does not present elevated risk to the public. Although efforts are made to recover these costs from developers wherever feasible, there has been an increase in developments where a recovery mechanism is unavailable. As a result, we may need to revise our existing strategy, which could include implementing pressure reducing stations and imposing pipeline operating restrictions prior to pipelines entering densely populated urban areas.

4.2.6. Non-network capex

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

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

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

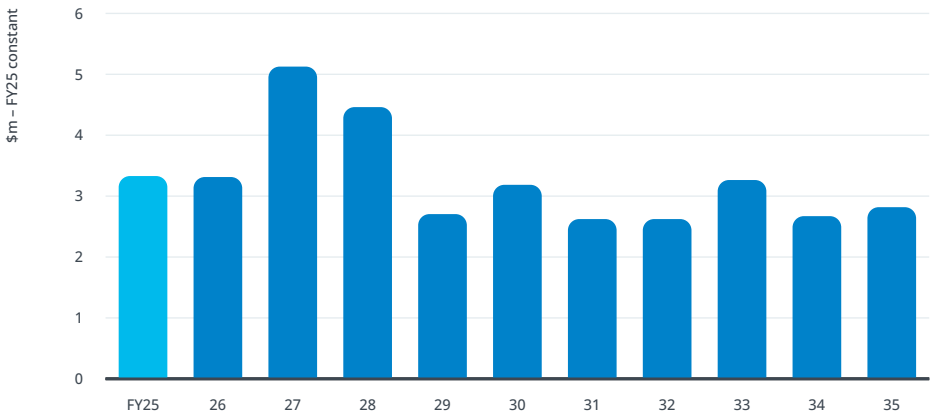


Table 4.7: Key non-network capital investments for the planning period.

KEY AMP 25 NON-NETWORK PROJECTS	AMP 25 FORECAST ($'000)
OATIS system re-platforming and renewal	3,500
Cybersecurity equipment	1,000
ICT minor asset renewals	6,270
Motor vehicle renewal	9,539
Radio transmitter renewals	768
Instrumentation test equipment renewals	950
Pipeline hot tapping equipment renewals	740

Non-network expenditure includes the following main expenditure types:

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

The forecast for non-network capital expenditure is expected to remain relatively stable with ongoing expenditure to manage lifecycle replacements except for the need to re-platform one of our systems used for the operation and management of the transmission network (OATIS). The re-platforming of OATIS is scheduled for FY27 and FY28, with additional expenditure planned later in the period to support ongoing system performance.

A significant change from AMP 2023 is the removal of the forecast expenditure for rebuilding the existing office in New Plymouth. Instead, the approach has shifted to ongoing maintenance and retrofitting of the current facility, ensuring its continued functionality without the need for major redevelopment.

4.3. Opex forecast

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

Service interruptions, incidents and emergencies

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

Network support

Includes activities such as asset planning, load forecasting, network modelling and engineering design.

Compressor fuel

Pays for fuel used by compressors to increase gas pressure.

Land management and associated activities

To manage activity in areas close to our assets.

Routine and corrective maintenance and inspection

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

Business support

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

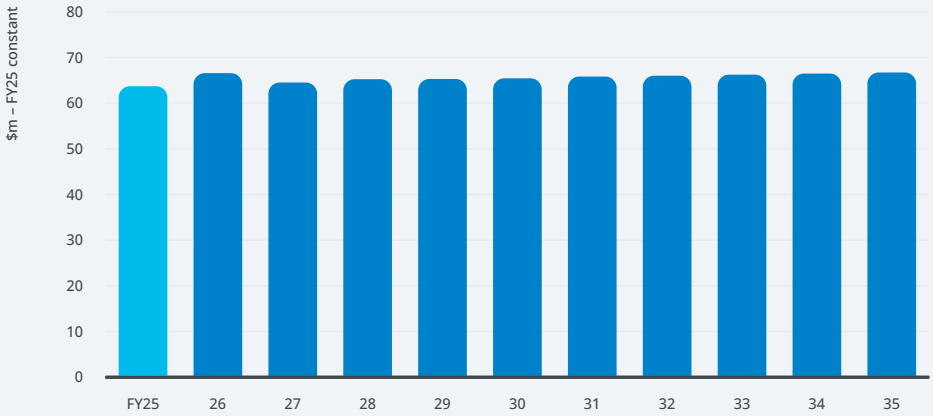
System operations

Includes essential functions such as our network control centre, outage planning and notification, and production facility liaison.

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

Our forecast opex over the AMP period has been developed using a base-step-trend approach. Forecast expenditure from FY26 onwards includes several step changes as discussed in the following sections. Offsetting this, from FY27 onwards, is the removal of compressor fuel opex when this will become a recoverable cost.

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

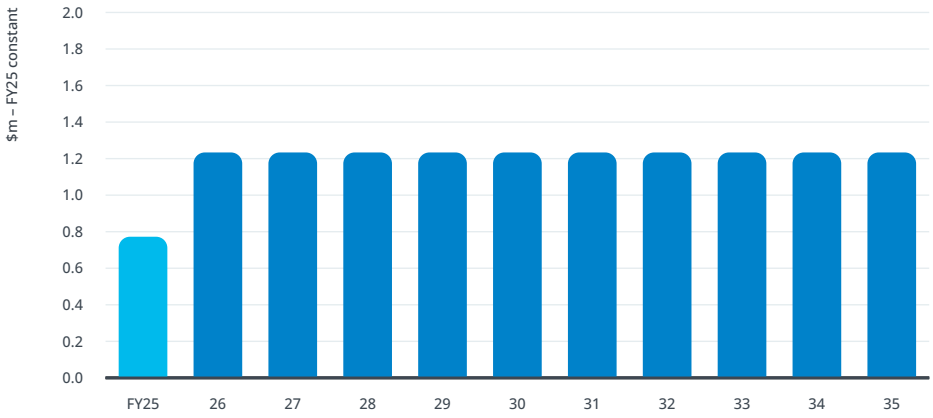


4.3.1. Service interruptions, incidents and emergencies (SIE)

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

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

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



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

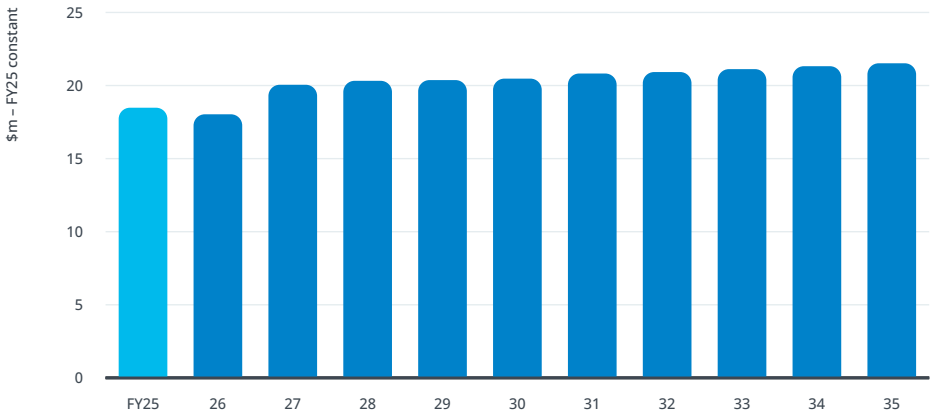
We have not added steps changes or trends to the forecast as we are confident that the level of this expenditure will not materially differ from historical levels.

4.3.2. Routine and corrective maintenance and inspection

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

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

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



Our forecast RCMI opex over the AMP period has been developed using a base-step-trend approach. We have used FY24 as the base year as this was the latest available full year of actual expenditure. Expenditure in FY24 is well aligned with recurrent, historical expenditure in this category. Details on the included step changes are set out in Table 4.8.

Forecast adjustments

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

Table 4.8: Forecast RCMI opex adjustments

ADJUSTMENT	DESCRIPTION	AMOUNT
Compressor decommissioning	Five compressors are required to be decommissioned due to age, operating outside the correct envelope, and obsolescence.	400k
Station decommissioning	Decommissioning delivery points that are now disconnected from customer and decommissioning uneconomic delivery points.	375k
Heater inspections	Internal inspection of water bath heaters is now conducted onsite. Previously a capex item, heater condition has improved through our refurbishment program and ongoing inspection is required to maintain compliance and certification.	225k
Capex/opex substitution	Consistent with the discussion in section 4.1, we foresee a need to begin substituting opex activities to manage risk of asset stranding. Examples of these activities include management of technical change, station coatings program and short life remediation of geohazards risks to our pipelines.	1,275k

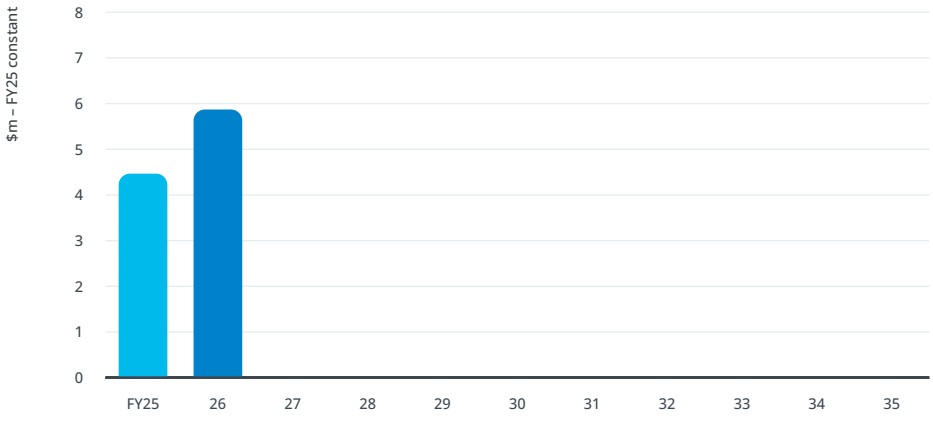
4.3.3. Compressor fuel

Gas is often transported over long distances, which causes gas pressure to decrease due to frictional losses in the pipeline. Gas pressure is increased by compressors to ensure that the required gas pressure and quantity is delivered to the extremities of the network.

We purchase compressor fuel under agreements with retailers, following competitive tenders which we undertake periodically. Actual compressor costs are impacted by the compressor utilisation programme.

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

Figure 4.16: Compressor fuel forecast for the planning period (constant FY25)



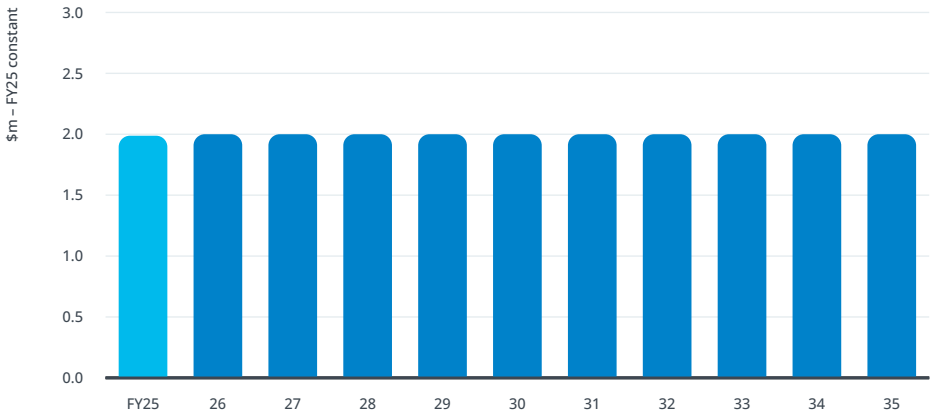
The opex forecast for compressor fuel is based on historical requirements and includes the operational costs for the Henderson Compressor Station. From FY27 compressor fuel opex will become a recoverable cost.

4.3.4. Land management and associated activities

We undertake a range of land management and related activities to manage activity in areas close to our assets. This includes coordinating pipeline locations before and during works for landowners, management of pipeline easements, and issuing work permits and standovers of third-party works adjacent to pipelines.

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

Figure 4.17: Land management forecast for the planning period (constant FY25)



We have used FY24 as the base year as this was the latest available full year of actual expenditure. Expenditure in FY24 is well aligned with historical expenditure in this category.

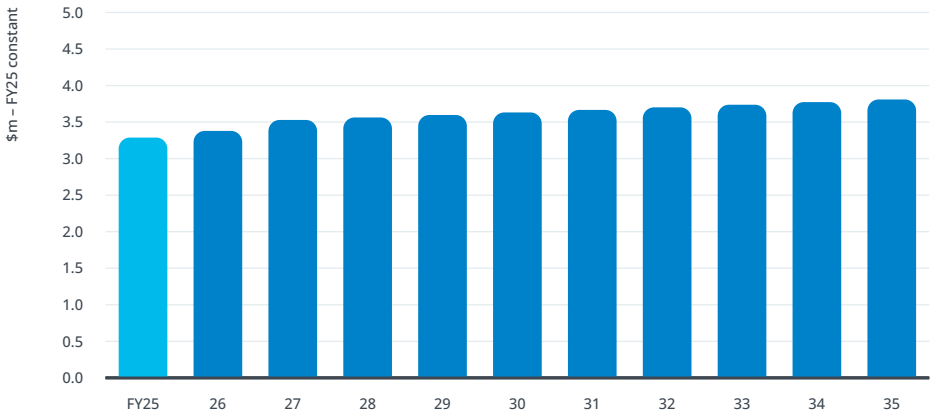
While we expect to face increased cost pressure related to managing issues associated with urban encroachment on our assets, we have not added steps changes or trends to the forecast. We aim to manage these cost pressures through improved processes and increased cost recovery.

4.3.5. System operations

System operations opex relates to expenditure on office-based system operations, and includes essential functions such as our network control centre, critical system operator activities, outage planning and notification, and production facility liaison.

The forecast opex over the planning period is set out in Figure 4.18.

Figure 4.18: System operations opex for the planning period (constant FY25)



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

Forecast adjustments

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

Table 4.9: Forecast opex adjustments to system operations

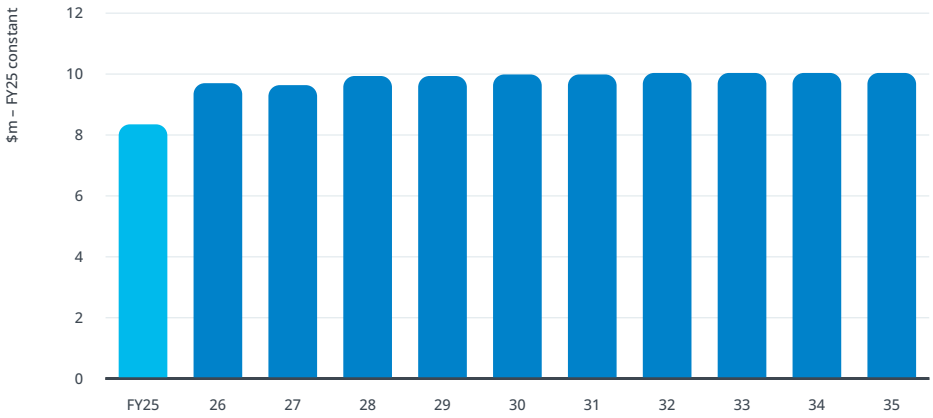
ADJUSTMENT	DESCRIPTION	AMOUNT
SaaS for control centre integration	Ongoing lifecycle management (SaaS) costs for control centre system.	150k
Trend factor	We expect operations activities to become increasingly complex to manage as we implement changes to our asset management approach, including implementing planned expenditure substitution.	135k

4.3.6. Network support

Network support opex relates to opex where the primary driver is the management of the network. These expenses include activities such as asset planning, load forecasting, network modelling, and engineering design.

The forecast opex over the planning period is set out in Figure 4.19.

Figure 4.19: Network support opex for the planning period (constant FY25)



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

Forecast adjustments

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

Table 4.10: Forecast opex adjustments to network support

ADJUSTMENT	DESCRIPTION	AMOUNT
Legal resource support for urbanisation	External legal support to help manage increasing issues related to urban encroachment on our assets.	180k
Decommissioning studies	Planning for transmission network right-sizing, developing decommissioning and stakeholder engagement plans.	180k
Improved forecasting and planning methodologies	We need to strengthen our current risk-based approach to inform network investments and improve our forecasting capability and modelling.	875k
Investigate blended gases	Engineering and planning for the connection of blended gases into the transmission network, determining locations and asset suitability.	255k

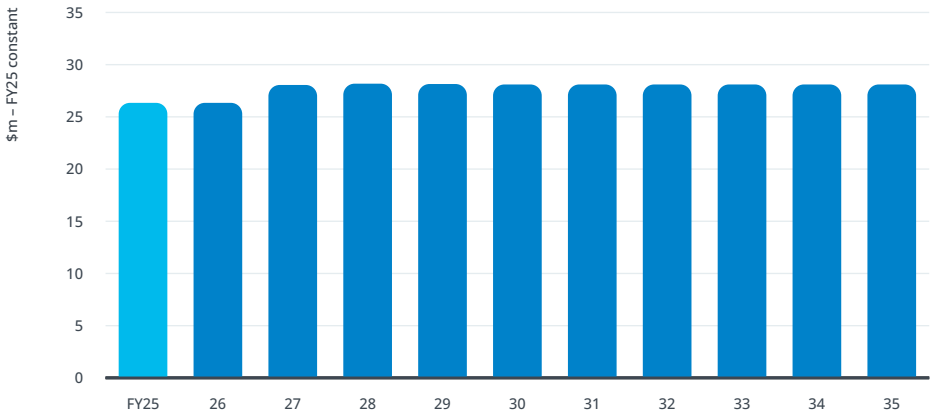
4.3.7. Business support

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

A portion of total business support opex is allocated to the gas distribution business in accordance with the cost allocation policy (discussed further in Appendix C of the accompanying AMP appendices document[14]).

The forecast opex over the planning period is set out in Figure 4.20.

Figure 4.20: Business support opex for the planning period (constant FY25)



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

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

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

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

Details on the included step changes are set out in Table 4.11.

14 The appendices document is available here

Forecast adjustments

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

Table 4.11: Forecast opex adjustments to business support opex

ADJUSTMENT	DESCRIPTION	AMOUNT
OATIS re-platforming and integration	Our existing OATIS software system requires re-platforming due to obsolescence; this change drives ongoing costs to manage the network.	215k
Cybersecurity resilience	ICT expenditure to ensure our systems are secure against the growing threat of cyber attack.	850k
SaaS capability improvements	Capability improvements are required to improve our asset management information systems, field data capture and health and safety management system.	380k
Corporate IT data storage, information and file share management	SaaS-related costs to provide an uplift in operational intelligence capabilities by leveraging improved data storage, information sharing, and file-share management.	140k

Firstgas