



REGULATORY DISCLOSURE

Gas transmission services: Capacity allocation methodology and transmission system capacity reservations

Year ended 30 September 2023



Introduction

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

Firstgas connects over 300,000 homes and businesses with natural gas through its gas distribution and high-pressure transmission systems. This essential infrastructure supports New Zealand's economy, so the group is committed to helping customers maximise value from it.

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

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

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

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

Clarus was previously known as Firstgas Group.

Compliance statement

This document is a regulatory disclosure prepared pursuant to sections 2.5.3 and 2.5.4 of the *Gas Transmission Information Disclosure Determination 2012* consolidating all amendments as of 3 April 2018 issued by the Commerce Commission. The regulatory disclosure covers Firstgas' transmission business (both the Maui and non-Maui transmission systems) for the 12-month period ending 30 September 2023.

The capacity allocation methodology and system capacity reservation information in this disclosure refers to the non-Maui gas transmission system. The Maui transmission system is managed under the Maui Pipeline Operating Code (MPOC). The shippers on the Maui line nominate their requirements daily. This forms the capacity for that day. There is no forward commitment on a firm capacity basis and capacity is not reserved on the Maui transmission system.

This regulatory disclosure was prepared on 31 March 2024.

Further information

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1. Capacity allocation methodology

1.1 Current capacity allocation methodologies (clause 2.5.3(1)(a))

Firstgas currently provides two types of firm contractual transmission capacity to Shippers¹ - Reserved Capacity and Supplementary Capacity.

Reserved Capacity is Firstgas' standard capacity product, and is allocated in accordance with the relevant provisions of the Gas Transmission Code (the Code):

- (I) Prior to the start of each contract year² and
- (II) During each contract year

in response to Shippers' specific requests, to the limit of uncommitted operational capacity.³ The processes involved in (i) and (ii) above are separately described below. Under the current Code, a Shipper retains the right to use any Reserved Capacity allocated to it unless and until that Shipper relinquishes it.⁴

Supplementary Capacity is firm transmission capacity that Firstgas provides to a Shipper under a Supplementary Agreement, in compliance with specific provisions of the Code. Firstgas is under no obligation to provide Supplementary Capacity and the Reserved Capacity allocation processes set out in the Code do not apply to Supplementary Capacity. Supplementary Capacity is available to a Shipper only for the term of the relevant Supplementary Agreement.

Reserved Capacity and Supplementary Capacity are equally "firm", so Firstgas must take both into account when determining uncommitted operational capacity.

1.1.1. Allocation of Reserved Capacity before the start of a contract year

Under the Code:

- 1) All Shippers must notify Firstgas of their Confirmed Reservation Requirements⁵ by 5pm on the second Friday in September.
- 2) A Shipper is entitled to reserve up to the amount of Reserved Capacity it holds at any Receipt-Point-Delivery Point⁶ (RP – DP) on the second Friday in September, although it may request more or less. A Shipper may request Reserved Capacity at a RP – DP irrespective of whether it currently has any capacity there.
- 3) Firstgas must notify Shippers of the extent to which it accepts their Confirmed Reservation Requirements by 5pm on the third Friday in September. This requires First Gas to determine the uncommitted operational capacity available, taking into account such things as:
 - (I) The amounts of Reserved Capacity requested compared with the amounts currently allocated;
 - (II) Changes in the distribution of Reserved Capacity, i.e. the extent to which requests for less Reserved Capacity at some RP-DPs offset requests for more at others
 - (III) Changes in Supplementary Capacity (if any)
 - (IV) How much capacity was allocated in prior years and where;

¹ A shipper is a person named in a transmission services agreement with First Gas. Only Shippers may hold transmission capacity. The Information Disclosure Determination refers to Shippers as "consumers".

² Being the year commencing on 1 October in year "n" and ending on 30 September in year "n+1".

³ Uncommitted operational capacity is the amount of a pipeline's physical capacity available to be allocated to Shippers, and is equal to: operational capacity – aggregate contractual (firm) capacity. The determination of operational capacity is described in Firstgas' "Gas Transmission Asset Management Plan – 2023" (AMP), available at www.firstgas.co.nz/About-Us/Regulatory/Transmission.

⁴ Either by not reserving it again, trading it to another Shipper or cancelling it in accordance with the Code.

⁵ Under the Code, Shippers must lodge non-binding Provisional Reservation Requirements earlier each year.

⁶ In this disclosure, Code terms are used, i.e.: Receipt Point = intake point; Delivery Point = offtake point.

- (V) The most recent pipeline modelling information, e.g. in the Asset Management Plan (AMP) and
 - (VI) The maximum capacity of individual Receipt and Delivery Points.
- 4) If it believes there is insufficient uncommitted operational capacity for it to approve all Shippers' requests for Reserved Capacity,⁷ Firstgas must apply the capacity allocation procedure set out in the Code. Briefly, that process would work as follows:
- (I) Any Shipper requesting the same amount of, or less Reserved Capacity than it currently holds at an RP-DP would be allocated that amount
 - (II) First Gas would then determine the extent of uncommitted operational capacity available by referencing the AMP or any other relevant pipeline modelling information or, if necessary, undertaking additional modelling
 - (III) First Gas would then allocate increased Reserved Capacity to the relevant Shippers in accordance with the following formula:

$$\text{increase} = (\text{Shipper's requested increase for an RP-DP} \div \text{All Shippers' requested increases for all RP-DPs on the pipeline}) \times \text{uncommitted operational capacity and}$$
 - (IV) Firstgas would then check that any allocated increases in Reserved Capacity could actually be delivered via the relevant Delivery Points.⁸ If not, capacity above the maximum that could be delivered would be re-allocated to other RP-DPs by a further iteration of the above formula.

1.1.2. Allocation of Reserved Capacity during a year

Under the Code:

- 1) A Shipper may request Reserved Capacity, or additional Reserved Capacity during a year, e.g., if it acquires new customers, or if one or more existing customers increase their load.
- 2) A Shipper must apply for additional Reserved Capacity using the appropriate screen on OATIS.⁹ Firstgas must approve (or decline) any such request via OATIS.
- 3) Firstgas must approve any such request (subject to the conditions set out in the Code) where it believes there is sufficient uncommitted operational capacity. To ascertain that, Firstgas considers:
 - (I) the relevant matters listed in paragraph (3) of the previous section; and
 - (II) any capacity transfer requests (to or from the RP-DP in question, or any other RP-DP relevant to the request) approved but not yet effective; and
 - (III) existing queued requests for capacity (if any).
- 4) Should it decline a request for additional capacity, Firstgas would (subject to the Code and the wishes of the Shipper concerned) place the request in the capacity queue for the relevant pipeline. If capacity subsequently became available, e.g., if a Shipper applied to cancel Reserved Capacity or to transfer Reserved Capacity elsewhere (including out of the pipeline altogether), Firstgas would offer additional Reserved Capacity to Shippers in the capacity queue, in accordance with the Code.

⁷ Namely, where Firstgas reasonably believed that a breach of its Security Standard (e.g. by the pressure at a critical point in a pipeline falling below the acceptable minimum) could result.

⁸ This would be necessary because a Shipper might request a "disproportionate" amount of additional capacity at the far end of a pipeline. The first pass of the allocation formula could then produce an unsustainable outcome. This reflects the reality that it is unrealistic to represent the uncommitted operational capacity of a pipeline by a single number: where capacity is required would change any such number

⁹ Firstgas' "Open Access Transmission Information System", at www.oatis.co.nz.

1.2 Approved requests for capacity (clause 2.5.3(1)(b))

During the disclosure year there was **sufficient uncommitted operational capacity** to meet all Shippers' requests for Reserved Capacity:

- (I) Confirmed Reservation Requirements for 2021-22: **approved in full**
- (II) Requests for additional Reserved Capacity: **41**
- (III) Requests for additional Reserved Capacity **approved in full: 41** and
- (IV) Requests for additional Reserved Capacity **approved in part: zero.**

1.3 Unmet demand for capacity (clause 2.5.3(1)(c))

During the disclosure year there was no unmet demand for Reserved Capacity:

- (I) Requests for Reserved Capacity **declined: zero**
- (II) Maximum daily quantities associated with requests **declined: zero** and
- (III) Reasons for requests not being approved in full: **not applicable.**

2. Transmission system capacity reservations

- 1) Tables 1 – 6 below set out the information required to be disclosed in accordance with clause 2.5.4 of the Information Disclosure Determination, for each of Firstgas' Non- Maui transmission pipeline systems.
- 2) The named offtake points (= Delivery Points) for each pipeline system are those which, in the system peak flow period, satisfied one or more of the criteria set out in clause 2.5.4(3)(a) – (c); i.e.:
 - (I) Throughput \geq 2,000 GJ
 - (II) Contractual firm capacity \geq 10,000 GJ (per day) or
 - (III) Nominal delivery pressure $>$ 20 bar gauge.

The relevant offtake points are those identified in Firstgas' "Pipeline Peak Flow Disclosure"¹⁰ for 2021. That disclosure refers to actual offtake points, whereas for commercial/contractual reasons some such points are aggregated into "notional" offtake points. An example is "Greater Auckland", which currently comprises 5 actual offtake points. Since this capacity disclosure is concerned with contractual capacity, Tables 1 – 6 show data for notional/contractual offtake points.

- 3) For all offtake points on a pipeline system that did not satisfy any of the criteria set out in clause 2.5.4(3)(a) – (c), data was aggregated in accordance with clause 2.5.4(3)(d) of the Information Disclosure Determination and appears in the tables on the line labelled "All Other Points".
- 4) Data is given for the three dates specified in clause 2.5.4(4), i.e.:
 - (I) The last day of the preceding pricing year (i.e., 30 September 2023);
 - (II) The first day of the new pricing year (i.e., 1 October of 2023); and
 - (III) The first day of each system's peak flow period for the preceding pricing year (i.e., the year ending 30 September 2023).
- 5) Firm contractual transmission capacity in respect of each offtake point comprises Reserved Capacity plus Supplementary Capacity (if any).
- 6) The MDQ (maximum daily quantity) and MHQ (maximum hourly quantity), respectively, for each offtake point correspond to the aggregate amount of firm contractual transmission capacity in each case. For Reserved Capacity, the MHQ is currently 1/16th of MDQ. For Supplementary Capacity, the MHQ can be a different fraction of MDQ, hence actual MHQs were obtained from the actual contracts.
- 7) MDQ and MHQ values have been rounded up to the nearest GJ.

¹⁰ Available at https://firstgas.co.nz/wp-content/uploads/Transmission-disclosure-Peak-Flows_YE-30-Sept-2022_FINAL.pdf

TABLE 1: North system

Offtake Point	Aggregate Firm Contractual Transmission Capacity (GJ) Held by All Shippers on:				
		30 Sep 2023	1 Oct 2023	11 Aug 2023	> 20 bar g
Harrisville 2	MDQ	1,409	1,575	1,834	
	MHQ	88	98	115	
Drury 1	MDQ	630	112	631	
	MHQ	39	7	39	
Hunua (all)	MDQ	742	683	1,042	Note 1
	MHQ	46	43	65	
Flat Bush	MDQ	1,487	1,104	1,487	
	MHQ	93	69	93	
Greater Auckland	MDQ	43,655	40,550	44,553	Note 2
	MHQ	2,728	2,534	2,785	
Marsden 1	MDQ	-	-	-	
	MHQ	-	-	-	
Kauri DF	MDQ	2,600	2,600	2,600	Note 3
	MHQ	130	130	130	
Waitoki	MDQ	939	811	939	
	MHQ	59	51	59	
Glenbrook	MDQ	6,054	6,000	6,254	
	MHQ	378	375	391	
Warkworth	MDQ	1,368	1,359	1,368	
	MHQ	85	85	85	
Tuakau 2	MDQ	1,915	932	1,770	
	MHQ	120	58	111	
Whangarei	MDQ	604	518	570	
	MHQ	38	32	36	
Maungaturoto DF	MDQ	2,600	2,600	2,600	Note 3
	MHQ	130	130	130	
Major Points	MDQ	63,803	58,644	65,448	
	MHQ	3,935	3,613	4,038	
All Other Points	MDQ	168	111	168	
	MHQ	63	59	63	
Total	MDQ	63,970	58,755	65,615	
	MHQ	3,998	3,672	4,101	

Note 1:	Hunua (all) includes the Hunua, Hunua (Nova) and Hunua 3 Delivery Points. At Hunua 3 Firstgas delivers gas at pipeline pressure (i.e., unregulated)
Note 2:	Greater Auckland is a notional Delivery Point, comprising the actual Westfield, Papakura, Bruce McLaren, Waikumete and Henderson Delivery Points
Note 3:	Transmission capacity is provided to Kauri DF and Maungaturoto DF under a single non-standard agreement (Supplementary Agreement). The combined MDQ for the 2 Delivery Points varies seasonally between 2,250 and 4,600 GJ, subject to a maximum of 2,600 at either. The MHQ at either Delivery Point is limited to 130 GJ

Table 2: Central north system

Offtake Point		Aggregate Firm Contractual Transmission Capacity (GJ) Held by All Shippers on:			> 20 bar g
		30 Sep 2023	1 Oct 2023	7 Oct 2022	
Greater Hamilton	MDQ	6,703	6,008	6,711	Note 1
	MHQ	419	376	419	
Tatuanui DF	MDQ	1,500	1,400	1,500	
	MHQ	94	88	94	
Waitoa	MDQ	1,720	1,503	1,580	
	MHQ	107	94	99	
Cambridge	MDQ	1,999	1,910	2,063	
	MHQ	125	119	129	
Kiwitahi 1 (Peroxide)	MDQ	950	950	950	
	MHQ	59	59	59	
Te Rapa Cogen	MDQ	8,150	6,500	23,200	Note 2 22.5 bar g
	MHQ	1,092	1,092	1,092	
Morrinsville DF	MDQ	680	830	950	
	MHQ	43	52	59	
Major Points	MDQ	21,702	19,101	36,954	
	MHQ	1,939	1,880	1,952	
All Other Points	MDQ	1,716	1,815	1,734	
	MHQ	617	520	1,558	
TOTAL SYSTEM	MDQ	23,418	20,915	38,688	
	MHQ	2,556	2,399	3,510	
Note 1:	Greater Hamilton is a notional Delivery Point, comprising the actual Hamilton (Te Kowhai) and Hamilton (Temple View) Delivery Points.				
Note 2:	The Te Rapa Cogen Plant closed down in May 2023. The delivery point was subsequently modified, becoming the Te Rapa DF Delivery Point (with delivery pressure < 20 bar g).				

Table 3: Central south system

Offtake Point		Aggregate Firm Contractual Transmission Capacity GJ Held by All Shippers on:			
		30 Sep 2023	1 Oct 2023	18 Aug 2023	> 20 bar g
New Plymouth	MDQ	2,899	2,244	3,292	
	MHQ	181	140	206	
Pokuru	MDQ	-	-	-	Note 1
	MHQ	-	-	-	
Major Points	MDQ	2,899	2,244	3,292	
	MHQ	181	140	206	
All Other Points	MDQ	1,390	981	1,426	
	MHQ	87	61	89	
TOTAL SYSTEM	MDQ	4,289	3,225	4,718	
	MHQ	268	202	295	
Note 1:		Pokuru refers to the Pokuru 2 Delivery Point. Since 1 October 2023 Firstgas has ceased providing a transmission service to Pokuru 2.			

Table 4: Bay of Plenty system

Offtake Point		Aggregate Firm Contractual Transmission Capacity (GJ) Held by All Shippers on:			
		30 Sep 2023	1 Oct 2023	7 Oct 2022	> 20 bar g
Lichfield DF	MDQ	1,950	1,740	1,900	
	MHQ	122	109	119	
Lichfield 2	MDQ	3,730	3,720	3,850	
	MHQ	233	233	241	
Edgecumbe DF	MDQ	3,800	3,800	4,200	
	MHQ	237	238	263	
Reporoa	MDQ	2,065	2,006	1,904	
	MHQ	129	125	119	
Whakatane	MDQ	3,689	3,623	3,668	
	MHQ	231	226	229	
Tirau DF	MDQ	1,006	810	1,450	
	MHQ	63	51	91	
Kinleith (CHH Mill)	MDQ	11,546	10,000	10,593	
Kinleith (CHH Mill)	MHQ	722	625	662	
Kawerau (Tasman)	MDQ	1,833	1,750	1,750	
Kawerau (Tasman)	MHQ	115	109	109	
Kawerau (Caxton)	MDQ	613	650	628	
Kawerau (Caxton)	MHQ	38	41	39	
Greater Tauranga	MDQ	1,236	1,176	1,357	Note 1
	MHQ	77	73	85	
Gisborne	MDQ	1,150	898	1,191	
	MHQ	72	56	74	
Greater Mt Maunganui	MDQ	2,522	2,576	2,614	Note 2
	MHQ	158	161	163	
Rotorua	MDQ	1,449	1,071	1,486	
	MHQ	91	67	93	
Major Points	MDQ	36,590	33,820	36,592	
	MHQ	2,287	2,114	2,287	
All Other Points	MDQ	3,748	3,570	2,461	
	MHQ	234	223	154	
TOTAL SYSTEM	MDQ	40,337	37,390	39,053	
	MHQ	2,521	2,337	2,441	
Note 1:	Greater Tauranga is a notional Delivery Point, comprising the actual Tauranga and Pyes Pa Delivery Points.				

Note 2:	Greater Mt Maunganui is a notional Delivery Point, comprising the actual Mt Maunganui, Papamoa and Papamoa 2 Delivery Points.
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Table 5: South system

Offtake Point		Aggregate Firm Contractual Transmission Capacity (GJ) Held by All Shippers on:				> 20 bar g
		30 Sep 2023	1 Oct 2023	7 Oct 2022		
Paraparaumu	MDQ	-	-	-		
	MHQ	-	-	-		
Hawera (all)	MDQ	1,254	1,060	1,002	Note 1	
	MHQ	78	66	63		
Wanganui	MDQ	4,303	4,017	4,289		
	MHQ	269	251	268		
Greater Kapiti	MDQ	799	701	839	Note 4	
	MHQ	50	44	52		
Marton	MDQ	715	248	731		
	MHQ	45	15	46		
Palmerston North	MDQ	3,365	2,979	3,386		
	MHQ	210	186	212		
Longburn	MDQ	674	656	824		
	MHQ	42	41	51		
Levin	MDQ	889	835	1,014		
	MHQ	56	52	63		
Belmont	MDQ	4,757	5,172	5,341		
	MHQ	297	323	334		
Pahiatua DF	MDQ	3,150	2,940	3,300		
	MHQ	197	184	206		
Feilding	MDQ	766	671	822		
	MHQ	48	42	51		
Hastings (all)	MDQ	6,364	6,160	6,777	Note 2	
	MHQ	398	385	424		
Tawa (A+B)	MDQ	9,554	8,528	10,113		
	MHQ	597	533	632		
Greater Waitangirua	MDQ	2,021	1,538	1,693	Note 3	
	MHQ	126	96	106		
Major Points	MDQ	38,613	35,504	40,129		
	MHQ	2,413	2,219	2,508		
All Other Points	MDQ	2,059	1,501	2,153		
	MHQ	129	94	135		
TOTAL SYSTEM	MDQ	40,672	37,006	42,282		
	MHQ	2,542	2,313	2,643		

Note 1:	Hawera (all) refers to the Hawera and Hawera (Nova) Delivery Points
Note 2:	Hastings (all) refers to the Hastings and Hastings (Nova) Delivery Points
Note 3:	Greater Waitangirua is a notional Delivery Point, comprising the actual Waitangirua and Pauatahanui 1 Delivery Points
Note 4:	Greater Kapiti is a notional Delivery Point, comprising the actual Waikanae 2 and Paraparaumu Delivery Points.

Table 6: Frankley Road system

Offtake Point	Aggregate Firm Contractual Transmission Capacity (GJ) Held by All Shippers on:				> 20 bar g	
		30 Sep 2023	1 Oct 2023	11 Aug 2023		
Frankley Road-Bi	MDQ	36,500	-	36,500	Note 1	
	MHQ	2,260	-	2,257		
Kapuni GTP	MDQ	25,000	-	25,000	39 bar g	
	MHQ	1,825	-	1,825		
Major Points	MDQ	61,500	-	61,500		
	MHQ	4,085	-	4,082		
All Other Points	MDQ	-	-	-		
	MHQ	-	-	-		
TOTAL SYSTEM	MDQ	61,500	-	61,500		
	MHQ	4,085	-	4,082		
Note 1:	The pressure at Frankley Road equals the pressure in the Maui Pipeline.					