COMPLIANCE STATEMENT

Gas transmission services – Compliance with price path

Assessment Period 1 October 2025 – 30 September 2026

First Gas Limited
September 2025

Introduction

First Gas Limited (Firstgas) owns and operates New Zealand's gas transmission network, comprising 2,519 kilometres of high-pressure pipelines. These assets are critical to the nation's energy infrastructure, transporting substantial volumes of natural gas from production facilities in the Taranaki region to distribution networks and large-scale users across the North Island of New Zealand.

Our transmission business plays a pivotal role in meeting the diverse energy needs of industrial, commercial, and residential customers. Natural gas transported through our network supports a range of applications—including industrial processes, power generation, and commercial operations, as well as residential uses such as space heating, water heating, and cooking.

We remain committed to ensuring that gas continues to be a competitive and reliable energy option. This includes operating efficiently and sustainably within the regulated price-quality framework established by the Commerce Commission.

Compliance statement in respect of price setting

This document is a compliance statement prepared pursuant to clauses A3 - A6 of the Notice to supply information to the Commerce Commission under section 53N of the *Commerce Act 1986* – Compliance statements for the third regulatory period (the Notice). This Compliance Statement covers the fourth Assessment Period for DPP3[1] and is for the period from 1 October 2025 to 30 September 2026 (GY2026).

Compliance with Price Path	Yes

Firstgas will retain the structure of the prices under the Maui Pipeline Operating Code (MPOC) and Gas Transmission Code (GTC) for this pricing year. The revenue earned from transmission services provided under the MPOC and GTC has been updated to reflect changes in allowable revenue, forecast transmission quantities, and pass-through and recoverable costs.

A Directors' certificate is provided with this compliance statement in **Appendix 3**.

Further information

For further information regarding this Compliance Statement, please contact:

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First Gas Limited
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[1] The third regulatory period under the default price quality path framework is for the period 1 October 2022 to 30 September 2026.

Disclaimer

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

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1. Price setting for gas transmission services

Firstgas is pleased to confirm that we have set gas transmission prices to comply with the price path in clause 8.3 of the *Gas Transmission Services Default Price-Quality Path Determination 2022* (PQ Determination) for the Assessment Period from 1 October 2025 to 30 September 2026 (GY2026).

1.1 Price path for GTBs

The PQ determination sets out that the Forecast Revenue from Prices of a GTB for each Assessment Period must not exceed the Forecast Allowable Revenue for the Assessment Period.

Forecast Revenue from Prices ≤ Forecast Allowable Revenue

1.2 Forecast Revenue from Prices

As specified in Schedule 3 of the PQ Determination, when a GTB sets prices for an Assessment Period, the GTB must calculate the Forecast Revenue from Prices for the Assessment Period.

Forecast Revenue from Prices is defined as:

Forecast Revenue from Prices = *sum of each price multiplied by each corresponding forecast Quantity*

The GTB must prepare a forecast of Quantities for the Assessment Period to which the Prices for the Assessment Period will apply. All forecast Quantities used to calculate the Forecast Revenue from Prices must be reasonable.

Firstgas' transmission business

For the pricing year commencing 1 October 2025 (GY2026), Firstgas will continue to apply the two existing pricing methodologies for the Maui and Non-Maui gas transmission systems – the methodologies under the Maui Pipeline Operating Code (MPOC) and the Gas Transmission Code (GTC). A full overview of our charging can be found in sections 3 and 5 of our Transmission Pricing Methodology (TPM).[2]

We have prepared a forecast of volumes for the period, across standard products and non-standard contracts. We have also developed estimates of overrun revenue for the gas year. The combination of standard product revenue and non-standard contract revenue forms the basis of our Forecast Revenue from Prices for the year. Forecast Revenue from Prices is set out in the following table.

Table 1: Forecast Revenue from Prices

Target revenue for the Assessment Period	Amount	
	GY2026 ($)	Proportion of Target Revenue (%)
Standard MPOC revenue for the period 1 October 2025 to 30 September 2026	$62,312,218	28.7%
Standard GTC revenue for the period 1 October 2025 to 30 September 2026	$146,469,483	67.5%
Non-Standard Pricing (SA and ICA Revenue)	$8,267,459	3.8%
Target Revenue	**$217,049,160**	**100.00%**

[2] The Transmission Pricing Methodology for the year commencing 1 October 2025 can be found here: https://firstgas.co.nz/about-us/regulatory/transmission/

Standard Prices and Revenue for GY2026 are set out in the tables below. Further information on the calculation of forecast standard revenue for the GTC is available in **Appendix 1**.

Table 2: MPOC Standard prices and revenue

	Unit	Price ($)	Quantity	Revenue
Tariff 1	$ / GJ.km	0.004295	10,618,583,372	$45,606,815.58
Tariff 2	$ / GJ	0.206026	81,083,954	$16,705,402.71
Total MPOC Standard Revenue				**$62,312,218.29**

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Table 3: GTC standard prices and revenue

Pricing Region	2024/2025		Revenue			Total Revenue ($)
	TPF ($/GJ)	CRF ($/GJ.MDQ)	TPF ($)*	CRF ($)	Overruns ($)	
Auckland	$1.22	$636	$15,153,716	$32,774,856	$15,067	**$47,943,638**
Northland	$1.22	$898	$171,927	$472,396	$16,693	**$661,016**
Waikato North	$1.22	$651	$6,344,284	$13,004,900	$355,772	**$19,704,956**
South Taranaki - Whanganui	$1.22	$622	$1,859,866	$3,655,207	$198,094	**$5,713,167**
Manawatu - Horowhenua	$1.22	$636	$2,346,604	$5,413,596	$56,886	**$7,817,087**
Hawkes Bay	$1.22	$651	$2,447,191	$4,964,800	$230,537	**$7,642,528**
Wellington	$1.22	$756	$4,486,347	$11,727,066	$69,463	**$16,282,876**
Inland Taranaki	$1.22	$250	$1,282,731	$897,794	$27,550	**$2,208,075**
Waikato South	$1.22	$651	$3,375,686	$9,202,869	$251,571	**$12,830,127**
Tauranga	$1.22	$770	$1,770,778	$4,308,988	$89,343	**$6,169,109**
Central Plateau	$1.22	$799	$1,638,780	$4,312,778	$214,885	**$6,166,443**
Whakatane	$1.22	$829	$984,801	$2,786,301	$51,921	**$3,823,024**
Eastland	$1.22	$887	$293,755	$865,722	$34,784	**$1,194,261**
Coastal Taranaki	$1.22	$250	$22,568	$20,753	$2,018	**$45,339**
King Country	$1.22	$651	$892,428	$1,915,957	$168,503	**$2,976,887**
Frankley Road	$0.50	n/a	$5,290,950	n/a	n/a	**$5,290,950**
Total Standard Revenue			**$48,362,412**	**$96,323,983**	**$1,783,088**	**$146,469,483**

Total Forecast Revenue from Prices

The total Forecast Revenue from Prices is **$217.049 million.**

Forecast Revenue from Prices = *Forecast Revenue from MPOC Prices*
+ Forecast Revenue from GTC Prices
+ Forecast Revenue from Non-Standard Prices

= $62.312 million + $146.469 million + $8.267 million
= $217.049 million

1.3 Forecast Allowable Revenue

Schedule 5 sets out that Forecast Allowable Revenue must be determined in accordance with the following formula.

Forecast Allowable Revenue = *forecast net allowable revenue +*
forecast pass-through and recoverable costs +
opening balance of the wash-up account

where:

forecast net allowable revenue is the amount specified in Schedule 4

forecast pass-through and recoverable costs is the sum of all the forecast Pass-through Costs and forecast Recoverable Costs, excluding any Recoverable Cost that is a *revenue wash-up draw down amount* calculated as specified in paragraph 5 of Schedule 7 and

opening balance of the wash-up account is the amount calculated as specified in paragraph 4[3] of Schedule 8.

Forecast Net Allowable Revenue

As established in schedule 4 of the PQ Determination, the Forecast Net Allowable Revenue for the Assessment Period ending 30 September 2026 is $ 200.246 million.

Forecast Pass-through Costs and Recoverable Costs

The PQ Determination states that all forecasts of Pass-through Costs and Recoverable Costs must be reasonable. For GY2025, Firstgas has forecast the following costs as shown in Table 4.

Table 4: Forecast pass-through and recoverable costs

Forecast Pass-through and Recoverable Costs	$million
Rates and levies	$2.866
Balancing gas costs and revenues	$2.900
Mokau Compressor fuel gas costs	$1.700
CAPEX Wash-up Adjustment	$1.695
Total	**$9.160**

All the forecast Pass-through Costs and Recoverable Costs included above meet the definitions set out in clause 3.1.2 and 3.1.3 of the applicable Input Methodologies.

Opening balance of the wash-up amount

The *opening wash-up account balance* for the fourth Assessment Period is $7.660 million. This is equal to the *closing wash-up account balance* of the last Assessment Period of the previous regulatory period of $6.860

[3] The definition in Schedule 5 refers to paragraph 3 of Schedule 8. The Commission has confirmed this is a drafting error in the PQ Determination and Firstgas should apply the requirements in paragraph 4 of Schedule 8 for the purpose of completing our FY2026 ex-Ante compliance statement.

million adjusted for the time value of money as specified in schedule 8 of the Gas Transmission Services Default Price Quality Path Determination 2022.

<u>Calculation of Forecast Allowable Revenue</u>

Firstgas has calculated Forecast Allowable Revenue as follows:

Forecast Allowable Revenue =	*forecast net allowable revenue +* *forecast pass-through and recoverable costs +* *opening balance of the wash-up account*
	= $200.246 million + $9.16 million + $7.66 million
	= $217.066 million

1.4 Compliance

Based on the calculations set out in sections 1.2 and 1.3 above, Firstgas will comply with the price path of the PQ Determination for GY2026.

Forecast Revenue from Prices	≤	Forecast Allowable Revenue
$217.049 million	≤	$217.066 million

2. Additional compliance requirements

2.1 Certification

The required certification for this Compliance Statement is attached in **Appendix 3.**

2.2 Statement date

This Compliance Statement was prepared on 13 August 2025.

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Appendix 1: Calculation of forecast standard revenue for the GTC

Pricing Region	Prices		Quantities		Revenue by component ($)			GTC total standard revenue ($)
	TPF ($/GJ)	CRF ($/GJ.MDQ)	Throughput (GJ)	Capacity reservations (GJ/day)	TPF	CRF	Over-Run	
Auckland	$1.22	$636.00	12,421,079	18,809,469	$15,153,716	$32,774,856	$15,067	$47,943,638
Northland	$1.22	$898.00	140,924	192,009	$171,927	$472,396	$16,693	$661,016
Waikato North	$1.22	$651.00	5,200,233	7,291,534	$6,344,284	$13,004,900	$355,772	$19,704,956
South Taranaki - Whanganui	$1.22	$622.00	1,524,480	2,144,937	$1,859,866	$3,655,207	$198,094	$5,713,167
Manawatu - Horowhenua	$1.22	$636.00	1,923,446	3,106,860	$2,346,604	$5,413,596	$56,886	$7,817,087
Hawkes Bay	$1.22	$651.00	2,005,894	2,783,644	$2,447,191	$4,964,800	$230,537	$7,642,528
Wellington	$1.22	$756.00	3,677,334	5,661,877	$4,486,347	$11,727,066	$69,463	$16,282,876
Inland Taranaki	$1.22	$250.00	1,051,419	1,310,779	$1,282,731	$897,794	$27,550	$2,208,075
Waikato South	$1.22	$651.00	2,766,956	5,159,827	$3,375,686	$9,202,869	$251,571	$12,830,127
Tauranga	$1.22	$770.00	1,451,457	2,042,572	$1,770,778	$4,308,988	$89,343	$6,169,109
Central Plateau	$1.22	$799.00	1,343,262	1,970,168	$1,638,780	$4,312,778	$214,885	$6,166,443
Whakatane	$1.22	$829.00	807,214	1,226,779	$984,801	$2,786,301	$51,921	$3,823,024
Eastland	$1.22	$887.00	240,783	356,244	$293,755	$865,722	$34,784	$1,194,261
Coastal Taranaki	$1.22	$250.00	18,498	30,299	$22,568	$20,753	$2,018	$45,339
King Country	$1.22	$651.00	731,498	1,074,231	$892,428	$1,915,957	$168,503	$2,976,887
Frankley Road	$0.50	n/a	10,581,900	n/a	$5,290,950	n/a	$0	$5,290,950
Total Standard Revenue (GTC)			**45,886,377**		**$48,362,412**	**$96,323,983**	**$1,783,088**	**$146,469,483**

Appendix 2: Methodology for forecasting GY2026 quantities

Methodology for flow quantities

Aretê Consulting Limited (Aretê) was employed by Firstgas to forecast the gas flows across the transmission network and this was peer reviewed by Firstgas staff. This forecast used statistical timeseries approaches to forecasting smaller loads on the system and potential growth. Deterministic methods were used for large loads using data from large users. Firstgas' knowledge of large additional loads on the system was also used to forecast growth in large loads.

Aretê's forecast was assessed for reasonability by Firstgas management and found to be reasonable and aligned with the most recent information we had received from customers at the time of writing.

Methodology for capacity reservation quantities

Capacity reservations have been estimated based on historical gas flows and observed booking patterns. Shippers generally seem to reserve less capacity than their annual peak demand, as a way of optimising between reservation fees and overrun charges. One GJ of reserved capacity attracts 365 days of charges, whereas one GJ of overrun is charged the equivalent of 10 days of charges. Analysis of previous years suggests that shippers have tended to book capacity for the start of the gas year at a level that represents about the 37th highest day in the previous gas year. Capacity reservation estimates have also been informed by Shippers' provisional capacity requests.

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Appendix 3: Directors' certification for ex-ante price setting compliance statement

We, Fiona Ann Oliver and Mark Adrian Ratcliffe, being directors of First Gas Limited

certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached price-path compliance statement of First Gas Limited, and related information, prepared for the purposes of the *Gas Transmission Services Default Price-Quality Path Determination 2022* has been prepared in accordance with all the relevant requirements.

Director: Fiona Ann Oliver	Director: Mark Adrian Ratcliffe
13 Aug, 2025 12:51:37 PM GMT+12	13 Aug, 2025 12:55:21 PM GMT+12
Date	Date