Information disclosure for the gas transmission business

Year ending 30 September 2018

First Gas Limited
28 February 2019

Introduction

First Gas operates 2,500km of gas transmission pipelines (including the Maui pipeline), and more than 4,700km of gas distribution pipelines across the North Island. These gas infrastructure assets transport gas from Taranaki to major industrial gas users, electricity generators, businesses and homes, and transport around 20 percent of New Zealand's primary energy supply.

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

Information disclosure

This document contains First Gas' annual information disclosure for the gas transmission business, for the year ending on 30 September 2018, as required by the *Gas Transmission Information Disclosure Determination (No.1) 2017* consolidating all amendments as of 14 June 2017("the Determination") issued by the Commerce Commission.

The following documents are provided with this information disclosure:

- Schedules 1 – 10: Financial and technical schedules
- Schedules 14 – 15: Mandatory and voluntary explanatory notes
- Schedule 19: Director certification
- KPMG assurance report

This information disclosure was prepared on 28 February 2019.

Further information

For further information regarding this information disclosure, please contact:

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Disclaimer

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

GTB Information Disclosure Requirements

Information Templates

for

Schedules 1–10

Company Name	First Gas Limited (Transmission)
Disclosure Date	31 March 2019
Disclosure Year (year ended)	30 September 2018

Templates for Schedules 1–10 excluding 5f–5g
Template Version 4.1. Prepared 24 March 2015

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Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 1: ANALYTICAL RATIOS

This schedule calculates expenditure, revenue and service ratios from the information disclosed. The disclosed ratios may vary for reasons that are company specific and, as a result, must be interpreted with care. The Commerce Commission will publish a summary and analysis of information disclosed in accordance with the ID determination. This will include information disclosed in accordance with this and other schedules, and information disclosed under the other requirements of the determination.
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7 **1(i): Expenditure Metrics**

8		Ratio of expenditure to quantity of gas delivered ($ per TJ)	Ratio of expenditure to system length ($ per km)
9	**Operational expenditure**	216	16,081
10	Network	99	7,368
11	Non-network	117	8,713
12			
13	**Expenditure on assets**	156	11,639
14	Network	136	10,138
15	Non-network	20	1,501

16

17 **1(ii): Service Intensity Measures**

18

19	Volume density	75	*Quantity of gas delivered per km of system length (TJ/km)*

20

21 **1(iii): Composition of Revenue Requirement**

22		($000)	% of revenue
23	Operational expenditure	40,413	31.24%
24	Pass through and recoverable costs excluding financial incentives and wash-ups	697	0.54%
25	Total depreciation	31,148	24.08%
26	Total revaluations	15,652	12.10%
27	Regulatory tax allowance	15,812	12.22%
28	Regulatory profit/(loss) including financial incentives and wash-ups	56,951	44.02%
29	Total regulatory income	129,369	

30

31 **1(iv): Reliability**

32

33	Interruption rate	2.4671	*Interruptions per 100km of system length*

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 2: REPORT ON RETURN ON INVESTMENT

This schedule requires information on the Return on Investment (ROI) for the GTB relative to the Commerce Commission's estimates of post tax WACC and vanilla WACC. GTBs must calculate their ROI based on a monthly basis if required by clause 2.3.3 of the ID determination or if they elect to. If a GTB makes this election, information supporting this calculation must be provided in 2(iii). GTBs must provide explanatory comment on their ROI in Schedule 14 (Mandatory Explanatory Notes).
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		CY-2	CY-1	Current Year CY
7	**2(i): Return on Investment**			
8		**30 Sep 16**	**30 Sep 17**	**30 Sep 18**
9	**ROI – comparable to a post tax WACC**	**%**	**%**	**%**
10	Reflecting all revenue earned			6.49%
11	Excluding revenue earned from financial incentives			6.49%
12	Excluding revenue earned from financial incentives and wash-ups			6.49%
13				
14	**Mid-point estimate of post tax WACC**		5.45%	5.18%
15	25th percentile estimate		4.64%	4.47%
16	75th percentile estimate		6.26%	5.89%
17				
18				
19	**ROI – comparable to a vanilla WACC**			
20	Reflecting all revenue earned			7.02%
21	Excluding revenue earned from financial incentives			7.02%
22	Excluding revenue earned from financial incentives and wash-ups			7.02%
23				
24	**WACC rate used to set regulatory price path**	7.44%	7.44%	6.41%
25				
26	**Mid-point estimate of vanilla WACC**		5.99%	5.71%
27	25th percentile estimate		5.18%	5.00%
28	75th percentile estimate		6.80%	6.41%
29				

30	**2(ii): Information Supporting the ROI**		**($000)**	
31				
32	Total opening RAB value	824,222		
33	**Opening RIV**		824,222	
34				
35				
36	**Line charge revenue**		129,449	
37				
38	Expenses cash outflow	41,111		
39	*plus* Assets commissioned	21,427		
40	*less* Asset disposals	79		
41	*plus* Regulatory tax allowance	15,812		
42	*less* Other regulated income	(79)		
43	**Mid-year net cash outflows**		78,350	
44				
45	**Term credit spread differential allowance**		-	
46				
47	Total closing RAB value	829,884		
48	*less* Adjustment resulting from asset allocation	(190)		
49	*less* Lost and found assets adjustment	-		
50	**Closing RIV**		830,074	
51				
52				
53	**ROI – comparable to a vanilla WACC**			7.02%
54				
55	Leverage (%)			42.0%
56	Cost of debt assumption (%)			4.47%
57	Corporate tax rate (%)			28.0%
58				
59	**ROI – comparable to a post tax WACC**			6.49%

Company Name	**First Gas Limited (Transmission)**
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SCHEDULE 2: REPORT ON RETURN ON INVESTMENT

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sch ref

60

61 **2(iii): Information Supporting the Monthly ROI**

62

63 **Opening RIV** N/A

64

65 ($000)

66	Line charge revenue	Expenses cash outflow	Assets commissioned	Asset disposals	Other regulated income	Monthly net cash outflows
67 Month 1						-
68 Month 2						-
69 Month 3						-
70 Month 4						-
71 Month 5						-
72 Month 6						-
73 Month 7						-
74 Month 8						-
75 Month 9						-
76 Month 10						-
77 Month 11						-
78 Month 12						-
79 **Total**	-	-	-	-	-	-

80

81 **Regulatory tax allowance** N/A

82

83 **Term credit spread differential allowance** N/A

84

85 **Closing RIV** N/A

86

87

88 **Monthly ROI – comparable to a vanilla WACC** N/A

89

90 **Monthly ROI – comparable to a post tax WACC** N/A

91

92 **2(iv): Year-end ROI rates for comparison purposes**

93

94 **Year-end ROI – comparable to a vanilla WACC** 6.82%

95

96 **Year-end ROI – comparable to a post tax WACC** 6.30%

97

98 ** The year-end ROI values are comparable to the ROI reported in pre 2012 disclosures by GTBs and do not represent the Commission's current view on ROI.*

99

100 **2(v): Financial Incentives and Wash-Ups**

101

102 Net recoverable costs allowed under incremental rolling incentive scheme	-	
103 Other financial incentives		
104 **Financial incentives**		-
105		
106 **Impact of financial incentives on ROI**		-
107		
108 Input methodology claw-back		
109 Recoverable customised price-quality path costs		
110 Other wash-ups		
111 **Wash-up costs**		-
112		
113 **Impact of wash-up costs on ROI**		-

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 3: REPORT ON REGULATORY PROFIT

This schedule requires information on the calculation of regulatory profit for the GTB for the disclosure year. GTBs must complete all sections and must provide explanatory comment on their regulatory profit in Schedule 14 (Mandatory Explanatory Notes).
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

3(i): Regulatory Profit

sch ref			($000)
8		**Income**	
9		Line charge revenue	129,449
10	*plus*	Gains / (losses) on asset disposals	(79)
11	*plus*	Other regulated income (other than gains / (losses) on asset disposals)	-
12			
13		**Total regulatory income**	129,369
14		**Expenses**	
15	*less*	Operational expenditure	40,413
16			
17	*less*	Pass-through and recoverable costs excluding financial incentives and wash-ups	697
18			
19		**Operating surplus / (deficit)**	88,259
20			
21	*less*	Total depreciation	31,148
22			
23	*plus*	Total revaluations	15,652
24			
25		**Regulatory profit / (loss) before tax**	72,762
26			
27	*less*	Term credit spread differential allowance	-
28			
29	*less*	Regulatory tax allowance	15,812
30			
31		**Regulatory profit/(loss) including financial incentives and wash-ups**	56,951
32			

3(ii): Pass-through and Recoverable Costs excluding Financial Incentives and Wash-Ups

sch ref		($000)	
34	**Pass through costs**		
35	Rates	1,609	
36	Commerce Act levies	507	
37	Industry Levies	25	
38	CPP specified pass through costs	-	
39	**Recoverable costs excluding financial incentives and wash-ups**		
40	Balancing gas costs	(1,757)	
41	Other recoverable costs excluding financial incentives and wash-ups	314	
42	**Pass-through and recoverable costs excluding financial incentives and wash-ups**		697
43			

3(iii): Incremental Rolling Incentive Scheme

sch ref			($000)	
45			**CY-1**	**CY**
46			**30 Sep 17**	**30 Sep 18**
47	Allowed controllable opex		-	-
48	Actual controllable opex		-	-
49				
50	Incremental change in year			-
51				
52			**Previous years' incremental change**	**Previous years' incremental change adjusted for inflation**
53	CY-5	30 Sep 13	-	-
54	CY-4	30 Sep 14	-	-
55	CY-3	30 Sep 15	-	-
56	CY-2	30 Sep 16	-	-
57	CY-1	30 Sep 17	-	-
58	**Net incremental rolling incentive scheme**			-
59				
60	**Net recoverable costs allowed under incremental rolling incentive scheme**			-
61				

3(iv): Merger and Acquisition Costs

sch ref		($000)
63		
64	Merger and acquisition expenditure	-
65		
66	*Provide commentary on the benefits of merger and acquisition expenditure to the gas transmission business, including required disclosures in accordance with section 2.7, in Schedule 14 (Mandatory Explanatory Notes)*	
67		

3(v): Other Disclosures

sch ref		($000)
69		
70	Self-insurance allowance	-

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. GTBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

4(i): Regulatory Asset Base Roll Forward

			RAB	RAB	RAB	RAB	RAB
8		for year ended	30 Sep 14	30 Sep 15	30 Sep 16	30 Sep 17	30 Sep 18
9			($000)	($000)	($000)	($000)	($000)
10		**Total opening RAB value**	792,578	792,939	787,701	784,033	824,222
12	*less*	**Total depreciation**	26,448	26,310	26,666	29,058	31,148
14	*plus*	**Total revaluations**	10,256	2,240	5,893	15,365	15,652
16	*plus*	**Assets commissioned**	16,856	19,420	20,805	55,154	21,427
18	*less*	**Asset disposals**	303	821	621	1,191	79
20	*plus*	**Lost and found assets adjustment**	-	(96)			-
22	*plus*	**Adjustment resulting from asset allocation**	-	329	(3,079)	(81)	(190)
24		**Total closing RAB value**	792,939	787,701	784,033	824,222	829,884

4(ii): Unallocated Regulatory Asset Base

			Unallocated RAB *		RAB	
28			($000)	($000)	($000)	($000)
29		**Total opening RAB value**		824,649		824,222
30	*less*					
31		**Total depreciation**		31,294		31,148
32	*plus*					
33		**Total revaluations**		15,660		15,652
34	*plus*					
35		Assets commissioned (other than below)	2,170		2,018	
36		Assets acquired from a regulated supplier	-		-	
37		Assets acquired from a related party	19,409		19,409	
38		**Assets commissioned**		21,579		21,427
39	*less*					
40		Asset disposals (other than below)	81		79	
41		Asset disposals to a regulated supplier	-		-	
42		Asset disposals to a related party	-		-	
43		**Asset disposals**		81		79
45	*plus*	**Lost and found assets adjustment**		-		-
47	*plus*	**Adjustment resulting from asset allocation**				(190)
49		**Total closing RAB value**		830,513		829,884

50 ** The 'unallocated RAB' is the total value of those assets used wholly or partially to provide gas transmission services without any allowance being made for the allocation of costs to services provided by the supplier that are not gas transmission services. The RAB value represents the value of these assets after applying this cost allocation. Neither value includes works under construction.*

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SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. GTBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

4(iii): Calculation of Revaluation Rate and Revaluation of Assets

	CPI_4	1,024
	CPI_4^{-4}	1,005
	Revaluation rate (%)	1.90%

			Unallocated RAB * ($000)	($000)	RAB ($000)	($000)
		Total opening RAB value	824,649		824,222	
	less	Opening value of fully depreciated, disposed and lost assets	1,001		1,001	
		Total opening RAB value subject to revaluation	823,648		823,221	
		Total revaluations		15,660		15,652

4(iv): Roll Forward of Works Under Construction

			Unallocated works under construction		Allocated works under construction	
		Works under construction—preceding disclosure year		7,949		7,949
	plus	Capital expenditure	26,831		26,624	
	less	Assets commissioned	21,579		21,427	
	plus	Adjustment resulting from asset allocation				
		Works under construction - current disclosure year		13,201		13,146
		Highest rate of capitalised finance applied				4.25%

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SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. GTBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

4(v): Regulatory Depreciation

	Unallocated RAB *		RAB	
	($000)	($000)	($000)	($000)
Depreciation - standard	26,399		26,399	
Depreciation - no standard life assets	4,895		4,749	
Depreciation - modified life assets	-		-	
Depreciation - alternative depreciation in accordance with CPP	-		-	
Total depreciation		31,294		31,148

4(vi): Disclosure of Changes to Depreciation Profiles

($000 unless otherwise specified)

Asset or assets with changes to depreciation	Reason for non-standard depreciation (text entry)	Depreciation charge for the period (RAB)	Closing RAB value under 'non-standard' depreciation	Closing RAB value under 'standard' depreciation

** include additional rows if needed*

4(vii): Disclosure by Asset Category

($000 unless otherwise specified)

		Pipes	Stations	Compressors	Main-line valves	Special crossings	Other network assets	Non-network assets	Total
Total opening RAB value		537,244	97,417	45,430	5,661	50,599	62,681	25,190	824,222
less	Total depreciation	16,407	4,241	3,624	455	1,865	1,207	3,349	31,148
plus	Total revaluations	10,215	1,851	860	107	962	1,187	468	15,650
plus	Assets commissioned	506	7,102	1,594	1,305	-	5,452	5,467	21,427
less	Asset disposals	-	11	-	7	-	-	60	79
plus	Lost and found assets adjustment	-	-	-	-	-	-	-	-
plus	Adjustment resulting from asset allocation	-	-	-	-	-	-	(189)	(189)
plus	Asset category transfers	-	-	-	-	-	-	-	-
Total closing RAB value		531,558	102,118	44,260	6,612	49,696	68,114	27,527	829,884
Asset Life									
	Weighted average remaining asset life	34.7	29.0	22.0	24.3	27.8	22.8	26.4	(years)
	Weighted average expected total asset life	79.8	36.5	35.3	46.3	80.0	31.4	31.3	(years)

Company Name	**First Gas Limited (Transmission)**
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SCHEDULE 5a: REPORT ON REGULATORY TAX ALLOWANCE

This schedule requires information on the calculation of the regulatory tax allowance. This information is used to calculate regulatory profit/loss in Schedule 3 (regulatory profit).

GTBs must provide explanatory commentary on the information disclosed in this schedule, in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section

sch ref

5a(i): Regulatory Tax Allowance

				($000)
8		**Regulatory profit / (loss) before tax**		72,762
9				
10	*plus*	Total depreciation	31,148	
11	*less*	Tax depreciation	16,407	
12		**Permanent differences:**		
13	*plus*	Income not included in regulatory profit / (loss) before tax but taxable	- *	
14		Expenditure or loss in regulatory profit / (loss) before tax but not deductible	117 *	
15				
16	*less*	Total revaluations	15,652	
17		Income included in regulatory profit / (loss) before tax but not taxable	- *	
18		Expenditure or loss deductible but not in regulatory profit / (loss) before tax	- *	
19				(15,535)
20		**Temporary differences:**		
21	*plus*	Income not included in regulatory profit / (loss) before tax but taxable	- *	
22		Expenditure or loss in regulatory profit / (loss) before tax but not deductible	(359) *	
23				
24	*less*	Income included in regulatory profit / (loss) before tax but not taxable	- *	
25		Expenditure or loss deductible but not in regulatory profit / (loss) before tax	- *	
26				(359)
27	*less*	Notional deductible interest		15,139
28				
29		**Regulatory taxable income**		56,470
30				
31	*less*	Utilised tax losses	-	
32		Regulatory net taxable income		56,470
33				
34		Corporate tax rate (%)	28%	
35		**Regulatory tax allowance**		15,812
36				

37 * Workings to be provided in Schedule 14

38

39

40 5a(ii): Disclosure of Permanent and Temporary Differences

41 *In Schedule 14, Box 5 and Box 6, provide descriptions and workings of items recorded in the asterisked categories in Schedule 5a(i).*

42

43 5a(iii): Reconciliation of Tax Losses

			($000)
44			
45		**Opening tax losses**	-
46	*plus*	Current period tax losses	-
47	*less*	Utilised tax losses	-
48		**Closing tax losses**	-

49 5a(iv): Regulatory Tax Asset Base Roll-Forward

			($000)
50			
51		**Opening sum of regulatory tax asset values**	195,916
52	*less*	Tax depreciation	16,407
53	*plus*	Regulatory tax asset value of assets commissioned	21,253
54	*less*	Regulatory tax asset value of asset disposals	67
55	*plus*	Lost and found assets adjustment	-
56	*plus*	Adjustment resulting from asset allocation	(1,169)
57	*plus*	Other adjustments to the RAB tax value	166
58		**Closing sum of regulatory tax asset values**	199,693

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 5b: REPORT ON RELATED PARTY TRANSACTIONS

This schedule provides information on the valuation of related party transactions, in accordance with section 2.3.7 and 2.3.8 of the ID determination.
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5b(i): Summary—Related Party Transactions

	($000)
Total regulatory income	
Operational expenditure	22,019
Capital expenditure	25,478
Market value of asset disposals	
Other related party transactions	

5b(ii): Entities Involved in Related Party Transactions

Name of related party	Related party relationship
Gas Services (Joint Venture)	Joint Venture and First Gas Limited have some common ultimate owners

** include additional rows if needed*

5b(iii): Related Party Transactions

Name of related party	Related party transaction Type	Description of transaction	Value of transaction ($000)	Basis for determining value
Gas Services (Joint Venture)	Opex	Gas contracting services	22,019	ID clause 2.3.6(2)(b)
Gas Services (Joint Venture)	Capex	Gas contracting services	25,478	IM clause 2.2.11(5)(e)
	[Select one]			[Select one]
	[Select one]			[Select one]
	[Select one]			[Select one]
	[Select one]			[Select one]
	[Select one]			[Select one]
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	[Select one]			[Select one]
	[Select one]			[Select one]
	[Select one]			[Select one]
	[Select one]			[Select one]

** include additional rows if needed*

Company Name	**First Gas Limited (Transmission)**
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SCHEDULE 5c: REPORT ON TERM CREDIT SPREAD DIFFERENTIAL ALLOWANCE

This schedule is only to be completed if, as at the date of the most recently published financial statements, the weighted average original tenor of the debt portfolio (both qualifying debt and non-qualifying debt) is greater than five years.
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7

8 **5c(i): Qualifying Debt (may be Commission only)**

9

10 Issuing party	Issue date	Pricing date	Original tenor (in years)	Coupon rate (%)	Book value at issue date (NZD)	Book value at date of financial statements (NZD)	Term Credit Spread Difference	Cost of executing an interest rate swap	Debt issue cost readjustment
11									
12									
13									
14									
15									
16 ** include additional rows if needed*						-	-	-	-

17

18 **5c(ii): Attribution of Term Credit Spread Differential**

19

20 **Gross term credit spread differential**		-
21		
22 Total book value of interest bearing debt		
23 Leverage	42%	
24 Average opening and closing RAB values		
25 **Attribution Rate (%)**		-
26		
27 **Term credit spread differential allowance**		-

Company Name	**First Gas Limited (Transmission)**
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SCHEDULE 5d: REPORT ON COST ALLOCATIONS

This schedule provides information on the allocation of operational costs. GTBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications.

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5d(i): Operating Cost Allocations

	Value allocated ($000s)				
	Arm's length deduction	**Gas transmission services**	**Non-gas transmission services**	**Total**	**OVABAA allocation increase ($000s)**
Service interruptions, incidents and emergencies					
Directly attributable		690			
Not directly attributable				-	
Total attributable to regulated service		690			
Routine and corrective maintenance and inspection					
Directly attributable		12,960			
Not directly attributable				-	
Total attributable to regulated service		12,960			
Asset replacement and renewal					
Directly attributable					
Not directly attributable				-	
Total attributable to regulated service		-			
Compressor fuel					
Directly attributable		3,789			
Not directly attributable				-	
Total attributable to regulated service		3,789			
Land management and associated activity					
Directly attributable		1,077			
Not directly attributable				-	
Total attributable to regulated service		1,077			
System operations					
Directly attributable		2,488			
Not directly attributable				-	
Total attributable to regulated service		2,488			
Network support					
Directly attributable		4,803			
Not directly attributable				-	
Total attributable to regulated service		4,803			
Business support					
Directly attributable		476			
Not directly attributable		14,130	1,425	15,555	
Total attributable to regulated service		14,605			
Operating costs directly attributable		26,284			
Operating costs not directly attributable	-	14,130	1,425	15,555	-
Operational expenditure		40,413			

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 5d: REPORT ON COST ALLOCATIONS

This schedule provides information on the allocation of operational costs. GTBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications.

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5d(ii): Other Cost Allocations

	Value allocated ($000s)				
Pass through and recoverable costs	**Arm's length deduction**	**Gas transmission services**	**Non-gas transmission services**	**Total**	**OVABAA allocation increase ($000s)**
Pass through costs					
Directly attributable		1,634			
Not directly attributable		507	89	596	
Total attributable to regulated service		2,140			
Recoverable costs					
Directly attributable		(1,443)			
Not directly attributable		-	-	-	
Total attributable to regulated service		(1,443)			

5d(iii): Changes in Cost Allocations* †

Change in cost allocation 1

			($000) CY-1	Current Year (CY)
Cost category	IT, General Expenses	Original allocation	1,834	1,967
Original allocator or line items	RAB	New allocation	2,007	2,152
New allocator or line items	Headcount	Difference	(173)	(185)

Rationale for change: More appropriate to allocate based on headcount as people are the driver of the expense categories, e.g. IT Hardware and Software expenses would increase in line with headcount. General Expenses are mainly staff related e.g. office supplies, non-entertainment catering

Change in cost allocation 2

			($000) CY-1	Current Year (CY)
Cost category	Advertising - People & Performance	Original allocation	3	7
Original allocator or line items	RAB	New allocation	4	8
New allocator or line items	Headcount	Difference	(0)	(1)

Rationale for change: Specific advertising costs relating to recruitment

Change in cost allocation 3

			($000) CY-1	Current Year (CY)
Cost category	Cost Centres	Original allocation	107	204
Original allocator or line items	RAB & Headcount	New allocation	10	35
New allocator or line items	100% Attributable	Difference	97	169

Rationale for change: Business Support employees who are employed specifically for either GTB or GDB

Change in cost allocation 4

			($000) CY-1	Current Year (CY)
Cost category	Telephones	Original allocation	924	816
Original allocator or line items	RAB	New allocation	1,051	929
New allocator or line items	Headcount/100% Attributable	Difference	(127)	(113)

Rationale for change: Scada costs are directly allocated to Transmission, other Telephone costs to Headcount as this is a prople driven expense

** a change in cost allocation must be completed for each allocator or component change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or component.*

† include additional rows if needed

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 5e: REPORT ON ASSET ALLOCATIONS

This schedule requires information on the allocation of asset values. This information supports the calculation of the RAB value in Schedule 4. GTBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any changes in asset allocations. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5e(i): Regulated Service Asset Values

sch ref		Value allocated ($000s) Gas transmission services
10	**Pipes**	
11	Directly attributable	531,558
12	Not directly attributable	-
13	**Total attributable to regulated service**	531,558
14	**Stations**	
15	Directly attributable	102,118
16	Not directly attributable	-
17	**Total attributable to regulated service**	102,118
18	**Compressors**	
19	Directly attributable	44,260
20	Not directly attributable	-
21	**Total attributable to regulated service**	44,260
22	**Main-line valves**	
23	Directly attributable	6,612
24	Not directly attributable	-
25	**Total attributable to regulated service**	6,612
26	**Special crossings**	
27	Directly attributable	49,696
28	Not directly attributable	-
29	**Total attributable to regulated service**	49,696
30	**Other network assets**	
31	Directly attributable	68,114
32	Not directly attributable	-
33	**Total attributable to regulated service**	68,114
34	**Non-network assets**	
35	Directly attributable	18,969
36	Not directly attributable	8,557
37	**Total attributable to regulated service**	27,527
38		
39	**Regulated service asset value directly attributable**	821,326
40	**Regulated service asset value not directly attributable**	8,557
41	**Total closing RAB value**	829,884

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 5e: REPORT ON ASSET ALLOCATIONS

This schedule requires information on the allocation of asset values. This information supports the calculation of the RAB value in Schedule 4. GTBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any changes in asset allocations. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

42

43 **5e(ii): Changes in Asset Allocations* †**

44

45 **($000)**

46 **Change in asset value allocation 1** — **CY-1** — **Current Year (CY)**

47	Asset category		Original allocation	
48	Original allocator or line items		New allocation	
49	New allocator or line items		Difference	- | -

50

51 Rationale for change

52

53

54 **($000)**

55 **Change in asset value allocation 2** — **CY-1** — **Current Year (CY)**

56	Asset category		Original allocation	
57	Original allocator or line items		New allocation	
58	New allocator or line items		Difference	- | -

59

60 Rationale for change

61

62

63 **($000)**

64 **Change in asset value allocation 3** — **CY-1** — **Current Year (CY)**

65	Asset category		Original allocation	
66	Original allocator or line items		New allocation	
67	New allocator or line items		Difference	- | -

68

69 Rationale for change

70

71

72 ** a change in asset allocation must be completed for each allocator or component change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or component*

73 *† include additional rows if needed*

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs.
GTBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates).
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

			($000)	($000)
7		**6a(i): Expenditure on Assets**		
8		Consumer connection		2,541
9		System growth		319
10		Asset replacement and renewal		19,722
11		Asset relocations		2,897
12		Reliability, safety and environment:		
13		Quality of supply	-	
14		Legislative and regulatory	-	
15		Other reliability, safety and environment	-	
16		**Total reliability, safety and environment**		-
17		**Expenditure on network assets**		25,478
18		Expenditure on non-network assets		3,773
19				
20		**Expenditure on assets**		29,251
21	*plus*	Cost of financing		400
22	*less*	Value of capital contributions		3,027
23	*plus*	Value of vested assets		
24				
25		**Capital expenditure**		26,624
26		**6a(ii): Subcomponents of Expenditure on Assets(where known)**		
27		Research and development		
28		**6a(iii): Consumer Connection**		
29		*Connection types defined by GTB**	**($000)**	**($000)**
30		Direct Connect	2,541	
31				
32				
33				
34				
35		** include additional rows if needed*		
36		**Consumer connection expenditure**		2,541
37				
38	*less*	Capital contributions funding consumer connection expenditure	45	
39		**Consumer connection less capital contributions**		2,496

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs.
GTBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates).
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

40 **6a(iv): System Growth and Asset Replacement and Renewal**

		System Growth ($000)	Asset Replacement and Renewal ($000)
43	Pipes	13	4,766
44	Compressor stations	-	6,934
45	Other stations	305	2,902
46	SCADA and communications	-	775
47	Special crossings	-	0
48	*Components of stations (where known)*		
49	Main-line valves	-	621
50	Heating system	-	607
51	Odorisation plants	-	114
52	Coalescers	-	-
53	Metering system	-	2,758
54	Cathodic protection	-	176
55	Chromatographs	-	68
56	**System growth and asset replacement and renewal expenditure**	319	19,722
57	*less* Capital contributions funding system growth and asset replacement and renewal	-	115
58	**System growth and asset replacement and renewal less capital contributions**	319	19,607
59			
60			

61 **6a(v): Asset Relocations**

		($000)	($000)
62	*Project or programme**		
63	MacKays - Peka Peka 100/600 Lns Relocate	12	
64	Transmission Gully Pipeline relocations	2,490	
65	Manawatu/Whirokino bridge re-alignment	106	
66			
67			
68	** include additional rows if needed*		
69	All other projects or programmes - asset relocations	289	
70	**Asset relocations expenditure**		2,897
71	*less* Capital contributions funding asset relocations	2,867	
72	**Asset relocations less capital contributions**		30

73 **6a(vi): Quality of Supply**

		($000)	($000)
74	*Project or programme**		
75			
76			
77			
78			
79			
80	** include additional rows if needed*		
81	All other projects or programmes - quality of supply		
82	**Quality of supply expenditure**		-
83	*less* Capital contributions funding quality of supply		
84	**Quality of supply less capital contributions**		-

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs.
GTBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates).
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

85 **6a(vii): Legislative and Regulatory**

			($000)	($000)
86		*Project or programme**		
87				
88				
89				
90				
91				
92		** include additional rows if needed*		
93		All other projects or programmes - legislative and regulatory		
94		**Legislative and regulatory expenditure**		-
95	*less*	Capital contributions funding legislative and regulatory		
96		**Legislative and regulatory less capital contributions**		-
97				

98 **6a(viii): Other Reliability, Safety and Environment**

			($000)	($000)
99		*Project or programme**		
100				
101				
102				
103				
104				
105		** include additional rows if needed*		
106		All other projects or programmes - other reliability, safety and environment		
107		**Other reliability, safety and environment expenditure**		-
108	*less*	Capital contributions funding other reliability, safety and environment		
109		**Other reliability, safety and environment less capital contributions**		-
110				

111 **6a(ix): Non-Network Assets**

112 **Routine expenditure**

			($000)	($000)
113		*Project or programme**		
114		Equipment	393	
115		ICT	2,362	
116		Vehicles	440	
117		Building Refurbishment	578	
118				
119		** include additional rows if needed*		
120		All other projects or programmes - routine expenditure		
121		**Routine expenditure**		3,773

122 **Atypical expenditure**

			($000)	($000)
123		*Project or programme**		
124				
125				
126				
127				
128				
129		** include additional rows if needed*		
130		All other projects or programmes - atypical expenditure		
131		**Atypical expenditure**		-
132				
133		**Expenditure on non-network assets**		3,773

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 6b: REPORT ON OPERATIONAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of operational expenditure incurred in the disclosure year. GTBs must provide explanatory comment on their operational expenditure in Schedule 14 (Explanatory notes to templates). This includes explanatory comment on any atypical operational expenditure and assets replaced or renewed as part of asset replacement and renewal operational expenditure, and additional information on insurance.
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		($000)	($000)
7	**6b(i): Operational Expenditure**		
8	Service interruptions, incidents and emergencies	690	
9	Routine and corrective maintenance and inspection	12,960	
10	Asset replacement and renewal	-	
11	Compressor fuel	3,789	
12	Land management and associated activity	1,077	
13	**Network opex**		18,517
14	System operations	2,488	
15	Network support	4,803	
16	Business support	14,605	
17	**Non-network opex**		21,897
18			
19	**Operational expenditure**		40,413
20	**6b(ii): Subcomponents of Operational Expenditure (where known)**		
21	Research and development		N/A
22	Insurance		1,749

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 7: COMPARISON OF FORECASTS TO ACTUAL EXPENDITURE

This schedule compares actual revenue and expenditure to the previous forecasts that were made for the disclosure year. Accordingly, this schedule requires the forecast revenue and expenditure information from previous disclosures to be inserted.

GTBs must provide explanatory comment on the variance between actual and target revenue and forecast expenditure in Schedule 14 (Mandatory Explanatory Notes). This information is part of the audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8. For the purpose of this audit, target revenue and forecast expenditures only need to be verified back to previous disclosures.

sch ref

8	**7(i): Revenue**	**Target ($000) [1]**	**Actual ($000)**	**% variance**
9	Line charge revenue	126,278	129,449	3%
10	**7(ii): Expenditure on Assets**	**Forecast ($000) [2]**	**Actual ($000)**	**% variance**
11	Consumer connection	2,035	2,541	25%
12	System growth	6,212	319	(95%)
13	Asset replacement and renewal	29,026	19,722	(32%)
14	Asset relocations	4,110	2,897	(30%)
15	Reliability, safety and environment:			
16	Quality of supply	-	-	-
17	Legislative and regulatory	-	-	-
18	Other reliability, safety and environment	-	-	-
19	**Total reliability, safety and environment**	-	-	-
20	**Expenditure on network assets**	41,383	25,478	(38%)
21	Expenditure on non-network assets	8,620	3,773	(56%)
22	**Expenditure on assets**	50,003	29,251	(42%)
23	**7(iii): Operational Expenditure**	**Forecast ($000) [2]**	**Actual ($000)**	**% variance**
24	Service interruptions, incidents and emergencies	677	690	2%
25	Routine and corrective maintenance and inspection	16,158	12,960	(20%)
26	Asset replacement and renewal	-	-	-
27	Compressor fuel	3,610	3,789	5%
28	Land management and associated activity	1,029	1,077	5%
29	**Network opex**	21,474	18,517	(14%)
30	System operations	2,766	2,488	(10%)
31	Network support	3,781	4,803	27%
32	Business support	16,746	14,605	(13%)
33	**Non-network opex**	23,293	21,897	(6%)
34	**Operational expenditure**	44,767	40,413	(10%)
35				
36	**7(iv): Subcomponents of Expenditure on Assets (where known)**	**Forecast ($000) [2]**	**Actual ($000)**	**% variance**
37	Research and development	-	-	-
38				
39	**7(v): Subcomponents of Operational Expenditure (where known)**	**Forecast ($000) [2]**	**Actual ($000)**	**% variance**
40	Research and development	-	N/A	-
41	Insurance	-	1,749	-
42				

43 *1 From the nominal dollar target revenue for the pricing year disclosed under clause 2.4.3(3) of this determination*

44 *2 from the CY+1 nominal dollar expenditure forecasts disclosed in accordance with clause 2.6.6 for the forecast period starting at the beginning of the disclosure year (the second to last disclosure of Schedules 11a and 11b)*

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 8: REPORT ON BILLED QUANTITIES AND LINE CHARGE REVENUES

This schedule requires disclosure of the delivered quantities and number of offtake points for each type of connection on the GTB's network, and the energy delivered to these offtake points, for the disclosure year. It also requires the billed quantities and associated line charge revenues for each contract type used by the GTB, for the disclosure year.

sch ref

8 **8(i): Billed quantities by contract type**

9

10	Contract type	Billed quantities - Gas throughput billed*	Billed quantities - Reserved capacity billed*	Billed quantities - Overrun charges billed*	Billed quantities - Approved Nominations billed**	Billed quantities - ∑(Approved Nominations x distance) billed**	Other quantities billed	*Add extra columns for additional billed quantities as necessary*
11		TJ	TJ	TJ	TJ	TJ.km		
12	Standard	39,156	56,880	461	148,291	16,573,417		
13	Non-standard	64,182	118,809	24	-	-		
14	*Add extra rows for additional contract types as necessary*							
15	**Totals for all contracts**	103,338.53	175,689.13	485.13	148,291.36	16,573,416.98	-	

16

17 **8(ii): Line charge revenues ($000) by contract type**

18

19	Contract type	Total line charge revenue in disclosure year	Gas throughput revenue*	Reserved capacity revenue*	Overrun charges revenue*	Approved Nominations revenue**	∑(Approved Nominations x distance) revenue**	other line charge revenue	*Add extra columns for additional line charge revenues as necessary*	Notional revenue foregone from posted discounts (if applicable)
20	Standard	$97,710	1,958	54,504	4,410	10,686	26,153	-		n/a
21	Non-standard	$31,739	3,011	27,021	84	-	-	1,622		n/a
22	*Add extra rows for additional contract types as necessary*									
23	**Totals for all contracts**	$129,449	$4,969	$81,525	$4,494	$10,686	$26,153	$1,622		-

24 *Vector only

25 **MDL only

26

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 9a: ASSET REGISTER

This schedule requires a summary of the quantity of assets that make up the network, by asset category and asset class.

sch ref

7	Asset category	Asset class	Units	Items at start of year (quantity)	Items at end of year (quantity)	Net change	Data accuracy (1–4)
8	Pipes	Protected steel pipes	km	2,511	2,513	2	3
9	Pipes	Special crossings	km	8	8	-	3
10	Stations	Compressor stations	No.	9	9	-	3
11	Stations	Offtake point	No.	130	130	-	3
12	Stations	Scraper stations	No.	14	14	-	3
13	Stations	Intake points	No.	11	11	-	3
14	Stations	Metering stations	No.	5	5	-	3
15	Compressors	Compressors—turbine driven	No.	4	4	-	3
16	Compressors	Compressors—electric motor driven	No.	2	2	-	3
17	Compressors	Compressors—reciprocating engine driven	No.	18	18	-	3
18	Main-line valves	Main line valves manually operated	No.	75	75	-	3
19	Main-line valves	Main line valves remotely operated	No.	11	11	-	3
20	Heating systems	Gas-fired heaters	No.	109	109	-	3
21	Heating systems	Electric heaters	No.	4	4	-	3
22	Odorisation plants	Odorisation plants	No.	22	22	-	3
23	Coalescers	Coalescers	No.	40	40	-	3
24	Metering systems	Meters—ultrasonic	No.	9	9	-	3
25	Metering systems	Meters—rotary	No.	59	59	-	3
26	Metering systems	Meters turbine	No.	76	77	1	3
27	Metering systems	Meters—mass flow	No.	1	1	-	3
28	SCADA and communications	Remote terminal units (RTU)	No.	85	85	-	3
29	SCADA and communications	Communications terminals	No.	3	3	-	3
30	Cathodic protection	Rectifier units	No.	48	49	1	3
31	Chromatographs	Chromatographs	No.	9	10	1	3

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 9b: ASSET AGE PROFILE

This schedule requires a summary of the age profile (based on year of installation) of the assets that make up the network, by asset category and asset class.

sch ref																																		
7	**Disclosure Year (year ended)**	30 September 2018																																
																		Number of assets at disclosure year end by installation date															
8	**Asset category**	**Asset class**	**Units**	**pre-1960**	**1960 –1964**	**1965 –1969**	**1970 –1974**	**1975 –1979**	**1980 –1984**	**1985-1989**	**1990 –1994**	**1995 –1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**No. with age unknown**	**Items at end of year (quantity)**	**No. with default dates**	**Data accuracy (1–4)**
9	Pipes	Protected steel pipes	km	-	-	637	79	319	1,278	149	10	22	0	-	-	-	1	0	5	0	0	2	0	2	-	1	3	0	-	-	1	-	2,513	-	3
10	Pipes	Special crossings	km	-	-	2	1	1	3	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	-	3
11	Stations	Compressor stations	No.	-	-	1	-	2	5	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	-	3
12	Stations	Offtake point	No.	-	-	4	9	23	56	14	4	10	-	-	-	-	-	2	-	2	-	-	-	-	-	-	1	5	-	-	-	-	130	-	3
13	Stations	Scraper stations	No.	-	-	3	-	3	5	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	14	-	3
14	Stations	Intake points	No.	-	-	-	-	3	1	-	1	-	-	1	-	-	-	-	1	2	-	1	-	-	-	1	-	-	-	-	-	-	11	-	3
15	Stations	Metering stations	No.	-	-	1	-	1	2	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-	3
16	Compressors	Compressors—turbine driven	No.	-	-	-	-	-	1	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	4	-	3
17	Compressors	Compressors—electric motor driven	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	2	-	3
18	Compressors	Compressors—reciprocating engine driven	No.	-	-	4	-	6	4	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18	-	3
19	Main-line valves	Main line valves manually operated	No.	-	-	18	6	10	26	13	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75	-	3
20	Main-line valves	Main line valves remotely operated	No.	-	-	-	2	4	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11	-	3
21	Heating systems	Gas-fired heaters	No.	-	-	4	6	9	47	15	2	4	-	-	-	-	-	2	-	3	-	1	1	-	2	1	-	5	4	2	1	-	109	-	3
22	Heating systems	Electric heaters	No.	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1	-	1	-	-	-	1	-	-	-	4	-	3
23	Odorisation plants	Odorisation plants	No.	-	-	1	-	2	2	-	-	1	-	-	-	-	14	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	22	-	3
24	Coalescers	Coalescers	No.	-	-	2	2	8	16	5	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	40	-	3
25	Metering systems	Meters—ultrasonic	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1	-	-	2	-	3	1	-	-	-	-	-	-	9	-	3
26	Metering systems	Meters—rotary	No.	-	-	-	-	-	7	7	7	1	1	1	-	-	1	1	3	3	-	1	5	3	2	3	1	5	-	1	6	-	59	-	3
27	Metering systems	Meters turbine	No.	-	-	-	-	-	-	7	3	9	-	-	-	-	-	-	1	2	-	7	3	8	-	-	7	8	2	13	7	-	77	-	3
28	Metering systems	Meters—mass flow	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1	-	3
29	SCADA and communications	Remote terminal units (RTU)	No.	-	-	-	-	-	-	-	-	-	-	-	-	1	-	4	28	15	8	5	3	9	2	-	2	5	2	1	-	-	85	-	3
30	SCADA and communications	Communications terminals	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	1	-	-	-	-	-	-	-	-	-	3	-	3
31	Cathodic protection	Rectifier units	No.	-	-	5	1	5	7	1	1	-	-	-	-	-	-	-	2	1	2	1	2	2	2	9	3	2	1	1	1	-	49	-	3
32	Chromatographs	Chromatographs	No.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	1	1	-	1	1	-	-	2	-	-	1	1	-	10	-	3

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 9c: REPORT ON PIPELINE DATA

This schedule requires a summary of the key characteristics of the pipeline network.

sch ref

7	Transmission system	System length (km) (at year end)	Weighted average pipe diameter (mm)	Max monthly quantity entering the system (TJ per month)	Max weekly quantity entering the system (TJ per week)	Total gas conveyed (TJ per year)	Gas conveyed for Persons not involved in the GTB (TJ per year)	Number of connection points
8	South - Kapuni - Frankley Road	1,030	220	3,573	1,072	31,496	31,368	63
9	Bay of Plenty	607	156	966	265	8,758	8,703	34
10	North	544	189	3,112	714	26,836	26,584	38
11	Te Awamutu North	7	155	64	18	358	358	3
12	Minor	16	69	35	8	271	269	19
13	Maui Pipeline	309	747	13,852	3,302	120,335	120,173	26
14	**Total**	2,513						

15 **Length by assigned location class (km)**

		Secondary location class						
16		Sensitive Use (S)	Industrial (I)	Heavy Industrial (HI)	Common Infrastructure Corridor (CIC)	Submerged (W)	Total (km) (at year end) *	Percentage of total
17	Primary location class Rural (R1) land	3	8	4	2	3	1,995	87.89%
18	Primary location class Rural Residential (R2) land	11	0	-	1	1	155	6.85%
19	Primary location class Residential (T1) land	33	23	-	0	3	120	5.26%
20	Primary location class High Density (T2) land	-	-	-	-	-	-	-

21 ** The total km is not the same as the sum of the secondary location classes as a pipeline section may only have a primary location class.*

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**
Network	**Maui**

SCHEDULE 9d: REPORT ON DEMAND

This schedule requires a summary of the key measures of network demand for the disclosure year (number of new connections including, maximum monthly loads and total gas conveyed)

sch ref

9d(i): New Connections

Connection types defined by GTB	Number of new connections
Intake Point (excluding Bi-directional Points)	-
Offtake Point (excluding Bi-directional Points and Compressor Stations)	-
Bi-Directional Point	-
Compressor Station	-
** include additional rows if needed*	
Connections total	-

9d(ii): Gas Volumes and Connections

Connection types defined by GTB	Intake volume (TJ)	Quantity of gas delivered (TJ)	Number of connection points
Intake Point (excluding Bi-directional Points)	119,325	-	7
Offtake Point (excluding Bi-directional Points and Compressor Stations)	-	113,495	17
Bi-Directional Point	908	6,678	1
Compressor Station	-	-	1
** include additional rows if needed*			
Total	120,233	120,173	26

9d(iii): Gas conveyed

	(TJ)
Intake volume (TJ)	120,233
Quantity of gas delivered (TJ)	120,173
Gas used in compressor stations (TJ)	162
Gas used in heating systems (TJ)	-
Change in line pack (TJ)	(47)
Vented gas (TJ)	-
Unaccounted for gas (TJ)	(55)
Total gas conveyed (TJ)	120,335

9d(iv): Unaccounted for Gas

Transmission system	Gas entering the system (TJ)	Unaccounted for gas (TJ)	Unaccounted for gas (%)	Intake volume (TJ)	Interconnected system intake (TJ)	Interconnected intake systems (name)
Maui Pipeline	120,233	(55)	(0.05%)	120,233		
	-		-			
	-		-			
	-		-			
	-		-			
	-		-			
Total				120,233	-	

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**
Network	**Non- Maui**

SCHEDULE 9d: REPORT ON DEMAND

This schedule requires a summary of the key measures of network demand for the disclosure year (number of new connections including, maximum monthly loads and total gas conveyed)

sch ref

9d(i): New Connections

Connection types defined by GTB	Number of new connections
Distribution System	-
Direct Connect	-
Bi-Directional	-
Receipt Point	-
** include additional rows if needed*	
Connections total	-

9d(ii): Gas Volumes and Connections

Connection types defined by GTB	Intake volume (TJ)	Quantity of gas delivered (TJ)	Number of connection points
Distribution System	-	31,693	112
Direct Connect	-	30,768	24
Bi-Directional	8,776	4,821	4
Receipt Point	58,861	-	17
** include additional rows if needed*			
Total	67,637	67,282	157

9d(iii): Gas conveyed

	(TJ)
Intake volume (TJ)	67,637
Quantity of gas delivered (TJ)	67,282
Gas used in compressor stations (TJ)	320
Gas used in heating systems (TJ)	88
Change in line pack (TJ)	(9)
Vented gas (TJ)	29
Unaccounted for gas (TJ)	(73)
Total gas conveyed (TJ)	67,719

9d(iv): Unaccounted for Gas

Transmission system	Gas entering the system (TJ)	Unaccounted for gas (TJ)	Unaccounted for gas (%)	Intake volume (TJ)	Interconnected system intake (TJ)	Interconnected intake systems (name)
South-Kapuni-Frankley Road (SKF)	32,514	(137)	(0.42%)	32,514	-	-
Bay of Plenty (BOP)	8,807	52	0.59%	7,648	1,159	SKF, TAN
North (NORTH)	26,844	12	0.04%	26,844	-	-
Te Awamutu North (TAN)	360	-	-	360	-	-
Minor (MINORS)	271	-	-	271	-	-
	-		-			
Total				67,637	1,159	

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 10a: REPORT ON NETWORK RELIABILITY AND INTERRUPTIONS

This schedule requires a summary of the key measures of network reliability (interruptions, compressor availability) for the disclosure year
GTBs must provide explanatory comment on their network reliability for the disclosure year in Schedule 14 (Explanatory Notes to Templates).

sch ref

7 **10a(i): Interruptions and Reliability**

8

9 Total number of planned interruptions: -

10 **Service incidents and emergencies**

11 Number of incidents: 322

12

13 **Unplanned interruptions in transmission systems**

14 Description and cause of Interruption	Transmission systems affected	Date	Duration (hrs)
15 A lightening strike during a storm damaged the instrument control system causing a valve to trip shut and a loss of supply to the consumer	Te Awamutu Delivery Point - Fonterra Dairy Factory	10 April 2018	1.25
16 A lightening strike during a storm damaged the instrument control system causing a valve to trip shut and a loss of supply to the	Te Awamutu Delivery Point - Fonterra Dairy Factory	11 April 2018	1.50
17			
18			
19			
20			
21			
22			

23 **Add rows as necessary*

24 Number of interruption or curtailment events:

25 due to insufficient capacity	16
26 due to consumer flows exceeding approved quantities	-
27 caused by equipment failure	2
28 caused by third parties	44
29 **Total**	62

30 **10a(ii): Compressor Availability**

31

32 Compressor station code/name	Compressor unit ID	Number of hours the compressor ran	Number of hours compressor was available for service	Number of instances where the compressor failed to start	Number of instances where a compressor was required but unavailable for service
33 Mokau	Unit #1	6,050	7,242	4	7
34 Mokau	Unit #2	39	33	4	14
35 Henderson	1	2,758	8,378	-	10
36 Henderson	2	5,464	8,376	-	9
37 Kaitoke	1	1,088	7,420	3	3
38 Kaitoke	2	529	4,793	6	2
39 Kapuni	2	3,278	8,194	1	-
40 Kapuni	3	1,307	8,097	3	-
41 Kapuni	5	7,514	8,042	7	-
42 Kawerau	1	57	8,621	3	-
Kawerau	2	46	7,189	-	-
Mahoenui	1	19	6,292	-	-
Mahoenui	2	22	5,346	-	-
Mahoenui	3	90	7,977	-	-
Pokuru	1	5,725	8,683	19	4
Pokuru	2	4,182	8,629	-	4
Rotowaro	3	5,677	8,580	-	1
Rotowaro	4	5,784	8,477	1	1
Rotowaro	5	780	8,760	-	-
43 Rotowaro	6	2,011	8,707	1	-

44 **Add rows as necessary*

Company Name	**First Gas Limited (Transmission)**
For Year Ended	**30 September 2018**

SCHEDULE 10b: REPORT ON NETWORK INTEGRITY

This schedule requires a summary of the key measures of network integrity (product control, gas escapes, RTEs) for the disclosure year.

sch ref		
7	**Product control**	
8	Number of incidents relating to pressure	8
9	Number of incidents relating to gas specification	33
10	Number of incidents relating to odorisation	7
11		
12	**Response time to emergencies (RTE)**	
13	Proportion of emergencies responded to within 3 hours (%)	100%
14	Average call response time (hours)	-
15	Number of emergencies	1
16		
17	**Gas leaks**	
18	Number of confirmed public reported gas escapes per system length (escapes/1000 km)	2
19	Number of confirmed gas leaks caused by a third party per system length (escapes/1000 km)	-
20	Number of gas leaks detected by the GTB	8
21	Number of gas leaks that did not result in disruption to supply	14

Company Name	First Gas Limited (Transmission)
For Year Ended	30 September 2018

Schedule 14 Mandatory Explanatory Notes

1. This schedule requires GTBs to provide explanatory notes to information provided in accordance with clauses 2.3.1, 2.4.20 and sub-clause 2.5.1(1)(e).

2. This schedule is mandatory—GTBs must provide the explanatory comment specified below, in accordance with clause 2.7.1. Information provided in boxes 1 to 12 of this schedule is part of the audited disclosure information, and so is subject to the assurance requirements specified in section 2.8.

3. Schedule 15 (Voluntary Explanatory Notes to Schedules) provides for GTBs to give additional explanation of disclosed information should they elect to do so.

Mandatory explanatory notes

Return on Investment (Schedule 2)

4. In the box below, comment on return on investment as disclosed in Schedule 2. This comment must include information on reclassified items in accordance with sub-clause 2.7.1(2).

Box 2: Explanatory comment on return on investment

This is the first disclosure year where First Gas has completed a single consolidated disclosure for its gas transmission business. Prior to this year, First Gas disclosed the results of the Maui and Non-Maui transmission businesses separately. In 2017, an amendment to the information disclosure determination was made to align the two networks to an aligned disclosure year. [1] At the same time, the Default Price-Quality Path (DPP) that determines the allowable revenue, merged the two businesses into a single transmission price path. These two events took effect from the beginning of this disclosure year.

The Commerce Commission granted First Gas (Transmission) an exemption from reporting historic ROI results. The data collected for the separate transmission networks was difficult to convert to a meaningful ROI calculation using the 12-month period ending in September.

In 2018, the vanilla ROI for our transmission business is 7.02%. This is below the ROI reported for either of the transmission networks in 2017 (7.63% for the Non-Maui transmission system and 8.02% for the Maui transmission system). The decrease in the ROI is largely driven by the decrease in revenue between the two disclosure years. The 2017 DPP reset for the gas transmission business resulted in a decrease in prices and associated revenue for First Gas (Transmission) from 1 October 2017. This disclosure period also saw restricted gas supply due to production station outages and constraints.

[1] The Maui network was previously completed on a December year basis, and the Non-Maui based on a June year end. In 2017 we aligned both networks to a September year-end.

Regulatory Profit (Schedule 3)

5. In the box below, comment on regulatory profit for the disclosure year as disclosed in Schedule 3. This comment must include-

   5.1 a description of material items included in other regulated income (other than gains / (losses) on asset disposals), as disclosed in Schedule 3(i)

   5.2 information on reclassified items in accordance with sub-clause 2.7.1(2).

Box 2: Explanatory comment on regulatory profit
There are no items of other regulated income and no reclassified items.

Merger and acquisition expenses (3(iv) of Schedule 3)

6. If the GTB incurred merger and acquisitions expenditure during the disclosure year, provide the following information in the box below-

   6.1 information on reclassified items in accordance with sub-clause 2.7.1(2)

   6.2 any other commentary on the benefits of the merger and acquisition expenditure to the GTB.

Box 3: Explanatory comment on merger and acquisition expenditure
No merger and acquisition expenditure has been included during the disclosure year.

Value of the Regulatory Asset Base (Schedule 4)

7. In the box below, comment on the value of the regulatory asset base (rolled forward) in Schedule 4. This comment must include information on reclassified items in accordance with sub-clause 2.7.1(2).

Box 4: Explanatory comment on the value of the regulatory asset based (rolled forward)

The value of the regulated asset base (RAB) has been determined by rolling forward the combined initial RAB's of both the Non-Maui transmission system and the Maui transmission system, with adjustments made for additions, disposals, depreciation and revaluation in accordance with the applicable Input Methodologies.

Exemptions applied to RAB

In 2018, the Commerce Commission agreed First Gas would add together the historic disclosed results for each of the transmission businesses for each of the CY-1 to CY-4 periods. Prior to 2016, the networks (Maui and Non-Maui) were owned by different entities.

For the periods CY-2 to CY-4, the Maui network had a December year end and the Non-Maui network had a June year end.

In the CY-1 period, the separate networks transitioned to a September year end. The Maui network disclosure covered a period of nine months (January 2017 to September 2017) and the Non-Maui network disclosure covered a period of 15 months (July 2016 to September 2017). The disclosed results were summed to complete the CY-1 data.

Amendment to opening unallocated RAB

For 2018, the Opening Unallocated RAB of $824.649 million reported in Schedule 4(ii) is different to the Closing Unallocated RAB of the two transmission businesses ($837.033 million) in 2017. The variance between the two figures of $12.384 million is due to the:

- Effect of merging the two transmission businesses together ($10.743 million); and
- Removal of assets directly attributable to distribution ($1.641 million).

Effect of merging the two networks on the unallocated RAB

In the 2017 disclosures, each transmission business reported the unallocated RAB as being the directly attributable assets for the respective network, plus the not-directly attributable assets.

When completing the 2018 disclosures, First Gas notes that if the unallocated amounts were to be added together, then the not-directly attributable assets would be included in the disclosures twice. To remove the double recognition of the not-directly attributable assets, the opening balance of the unallocated RAB was reduced by $10.743 million from that disclosed as total closing unallocated RAB for the transmission businesses in 2017.

Removal of assets directly attributable to distribution

In Schedule 4(ii), the opening unallocated RAB value is different to the closing unallocated RAB value that was disclosed in 2017. This is because in 2017, $1.6 million of assets directly attributable to our distribution business were included in the closing unallocated RAB value for our transmission business. These distribution assets have been removed from the Unallocated RAB value for our transmission network in 2018.

Review of not-directly attributable assets

In 2018, we reviewed the not-directly attributable assets for our transmission and distribution businesses. This is because in 2017 a small number of assets directly attributable to our distribution business were included in the closing unallocated RAB value for our transmission business. These distribution assets have been removed from the unallocated RAB value for our transmission network in 2018.

Calculation of revaluation rate and revaluation of assets

Following a change in the base year by Statistics New Zealand, the opening CPI value (CPI_4^{-4}) does not agree to closing CPI value disclosed in 2017. The opening CPI value disclosed in 2018 of 1005 reflects the Statistics New Zealand revision to the All Groups Index SE9A.

Regulatory tax allowance: disclosure of permanent differences (5a(i) of Schedule 5a)

8. In the box below, provide descriptions and workings of the material permanent differences included in the following items, as recorded in the asterisked categories in 5a(i) of Schedule 5a:

   8.1 Income not included in regulatory profit / (loss) before tax but taxable

   8.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible

   8.3 Income included in regulatory profit / (loss) before tax but not taxable

   8.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax

Box 5: Regulatory tax allowance: permanent differences
Permanent differences consist of immaterial non-deductible professional and entertainment expenses.

Regulatory tax allowance: disclosure of temporary differences (5a(i) of Schedule 5a)

9. In the box below, provide descriptions and workings of the material temporary differences included in the following items, as recorded in the asterisked categories in 5a(i) of Schedule 5a:

   9.1 Income not included in regulatory profit / (loss) before tax but taxable

   9.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible

   9.3 Income included in regulatory profit / (loss) before tax but not taxable

   9.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax

Box 6: Temporary differences
Temporary differences include immaterial movements in provisions and accruals.

Related party transactions: disclosure of related party transactions (Schedule 5b)

10. In the box below, provide descriptions of related party transactions beyond those disclosed in Schedule 5b including identification and descriptions as to the nature of directly attributable costs disclosed under sub-clause 2.3.7(2)(b).

Box 7: Related party transactions

A description of all related party transactions has been disclosed in Schedule 5b.

Cost allocation (Schedule 5d)

11. In the box below, comment on cost allocation as disclosed in Schedule 5d. This comment must include information on reclassified items in accordance with sub-clause 2.7.1(2).

Box 8: Cost allocation

All operating costs disclosed in Schedule 5d (except some specified business support costs and pass-through costs), are directly attributable to either the First Gas transmission or distribution business. First Gas has applied the avoided cost allocation methodology (ACAM) in accordance with the applicable Input Methodologies.

Approach to cost allocation

The accounting-based allocation approach (ABAA) has been applied in accordance with the applicable Input Methodologies determination to allocate not-directly attributable costs (shared costs) between First Gas' transmission and distribution businesses. Causal cost allocators have been used where a cost driver has led to the cost being incurred.

Where a single causal allocator cannot be established for a shared cost, a proxy allocator has been used. The rationale behind the use of each proxy allocator is based on an analysis of each cost item that is not directly attributable. The key allocator that can be used as a proxy is determined by management. This is based on management's experience and knowledge, and an analysis of each of the cost areas.

Only one allocation method is used for each area.

First Gas has refined the cost allocators applied to its information disclosure accounts this year. Where possible, we have allocated the shared costs at a greater level of disaggregation than in previous years. Further information on the effect of this refinement to allocators is available in Schedule 5d of this disclosure document.

Treatment of costs

Business support costs that are not directly attributable arise in the areas of:

- Legal and consulting fees, which has a causal cost allocator of management's estimate of time spent;
- Employee-related costs such as mobile phones, stationery, travel, information technology hardware and software, and advertising for positions, which have a causal cost allocator of employee numbers;
- General expenses such as telephones, sponsorship and professional fees for audit, tax, information and technology and treasury functions which have a proxy cost allocator of the Regulatory Asset Base (RAB);
- Directors fees which has a proxy cost allocator of RAB;
- Insurance costs which has a proxy cost allocator of RAB; and
- Commerce Act levies which have a causal cost allocator of RAB.

Asset allocation (Schedule 5e)

12. In the box below, comment on asset allocation as disclosed in Schedule 5e. This comment must include information on reclassified items in accordance with sub-clause 2.7.1(2).

Box 9: Commentary on asset allocation

Non-network assets that are not directly attributable have been allocated across all First Gas regulated businesses based on head count.

In 2018, we reviewed the not-directly attributable assets for our transmission business. This review identified a number of directly attributable non-network assets that had been previously considered not directly attributable.

During the 2018 disclosure period, these assets were re-classified from 'Not directly attributable' to 'Directly attributable.'

Capital Expenditure for the Disclosure Year (Schedule 6a)

13. In the box below, comment on expenditure on assets for the disclosure year, as disclosed in Schedule 6a. This comment must include-

    13.1 a description of the materiality threshold applied to identify material projects and programmes described in Schedule 6a;

    13.2 information on reclassified items in accordance with sub-clause 2.7.1(2)

Box 10: Explanation of capital expenditure for the disclosure year

A project or programme is considered material if the estimated total project cost is equal to or exceeds $0.5 million.

There have been no re-classified items.

Focus of capital expenditure

Our focus continues to be on increasing the resilience of the transmission network. Major capital projects undertaken in this period include:

- Upgrading the Mokau Compressor Station;
- Prepatory work for the realignment of the 750 mm pipe at Gilbert Stream;
- Upgrading the Kaitoke Compressor Station;
- Upgrade of the SCADA master system;
- Protection of the Turakina River pipeline;
- Upgrade of the Horotiu delivery point; and
- Station replacement programme.

We have also continued to scope the requirements needed to upgrade our IT systems in anticipation of implementing the Gas Transmission Access Code (GTAC).

Further detail on our expenditure for this period, and our future work programme is available in our 2018 Asset Management Plan published on the First Gas website here: http://firstgas.co.nz/about-us/regulatory/transmission/

Operational Expenditure for the Disclosure Year (Schedule 6b)

14. In the box below, comment on operational expenditure for the disclosure year, as disclosed in Schedule 6b. This comment must include-

    14.1 Commentary on assets replaced or renewed with asset replacement and renewal operational expenditure, as reported Schedule 6b(i)

    14.2 Information on reclassified items in accordance with sub-clause 2.7.1(2)

    14.3 Commentary on any material atypical expenditure included in operational expenditure disclosed in Schedule 6b, a including the value of the expenditure the purpose of the expenditure, and the operational expenditure categories the expenditure relates to.

Box 11: Explanation of operational expenditure for the disclosure year

There has been no operational expenditure on asset replacement and renewal.

There have been no re-classified items.

There has been no material atypical expenditure included in the schedule.

Variance between forecast and actual expenditure (Schedule 7)

15. In the box below, comment on variance in actual to forecast expenditure for the disclosure year, as reported in Schedule 7. This comment must include information on reclassified items in accordance with sub-clause 2.7.1(2).

Box 12: Explanatory comment on variance in actual to forecast expenditure

Capital expenditure

Overall, our expenditure on assets was $20.7 million (42%) lower than that forecast in our Asset Management Plan (AMP). This lower expenditure reflects a deferral of projects following a review of our capital works plan. The review was implemented to ensure we maximised efficient delivery, while balancing the business capacity to deliver. The major contributors to the variances are outlined below:

- Deferral of the Gas Transmission Access Code (GTAC) project to FY2019. The GIC did not find the first draft of the GTAC materially better than the existing commercial Codes (MPOC and VTC). This led to further consultation with the industry and the GTAC was refined over the 2018 calendar year. This project will deliver a new information technology system to support the GTAC ($4.5 million);
- Deferral of the physical enabling works for the Gilbert Stream realignment project to FY2019, due to the need to verify and optimise the design ($7.9 million);
- Rescheduling the Warkworth lateral expansion project to the end of this DPP period, reflecting updated customer requirements ($5.1 million); and
- Variation to the scope of Turakina River protection works to enable implementation of a better solution of the site at a lower cost ($1.3 million).

Operational expenditure

Minor variances in operational expenditure relate to a number of one-off savings and improvements. Over the year, First Gas has been able to apply economies of scale, brought greater focus on gas transmission assets, and applied learnings from the amalgamation of the Maui and non-Maui transmission businesses under a single owner, and operating the pipelines as one coordinated gas transmission system.

Information relating to revenues and quantities for the disclosure year

16. In the box below, please explain reasons for any material differences between target revenue disclosed before the start of the pricing year in accordance with clause 2.4.1 and sub-clause 2.4.3(3), and total billed line charge revenue for the disclosure year as disclosed in Schedule 8.

Box 13: Explanatory comment relating to revenue for the disclosure year

Our line charge revenue of $129.45 million is $3.17 million (3%) above the target revenue of $126.28 million. The main drivers of the increased revenue are:

- Increased customer over-run payments over the winter period;
- Capacity reservation increases; and
- Line charge revenue reported in the disclosure includes wash-up revenue relating to quantities from the previous regulatory control period. These were not included in the target revenue calculation.

17. If prices or price category codes (as applicable) have been changed in a disclosure year, please explain in the box below the effect of this on the allocation of quantities and revenues between connection types or contract types (as applicable) disclosed in Schedule 9d(ii) and Schedule 8.

Box 14: Explanatory comment relating to changed prices or price category codes

There have been no changes to price category codes, however prices were changed on 1 October 2017, in line with the DPP reset for 2017 – 2022.

For the 2018 disclosure period we have continued to operate under the Maui Pipeline Operating Code (MPOC) and the Vector Transmission Code (VTC) for the Maui and Non-Maui pipelines respectively. First Gas is working with the industry to put in place a single gas transmission access code (GTAC). Until this is in place we will continue to report schedule 9d separately for the Maui transmission and Non-Maui transmission systems.

The change of price does not affect the allocation of quantities between connection or contract types as disclosed in Schedule 8 and Schedule 9d(ii).

Network Reliability for the Disclosure Year (Schedule 10a)

18. In the box below, comment on network reliability for the disclosure year, as disclosed in Schedule 10a.

Box 15: Commentary on network reliability for the disclosure year

Incidents and interruptions

A total of 322 incidents were recorded on the transmission system during the 2018 disclosure period. Most of the incidents in this disclosure period relate to station equipment (leaks, venting and product control), natural gas odour reported in vicinity of pipelines and unauthorised work over the pipeline.

Incident numbers in 2018 were affected by a larger number of production station trips and off specification gas, compared to historic levels. Each incident of off-specification gas was relatively minor in nature and did not affect the quality of gas across the pipeline.

An interruption is a subset of incidents and occurs when gas supply to a consumer stops for at least one minute. There were no planned interruptions in this disclosure period. Two unplanned interruptions occurred at the Te Awamutu Delivery Point resulting in a loss of supply to the Fonterra Dairy factory. Both instances occurred during a storm in April 2018 when lightening damaged an instrument control system.

Curtailments

There were 62 curtailment events recorded in the 2018 disclosure period:

- 44 were curtailments caused by third parties. First Gas has no control over these curtailments and their number is affected by the number of production station outages, or mis-match between nominated and actual gas flows by system users;
- 2 were caused by equipment failure when lightning strikes damaged an instrument control system at the Te Awamutu Delivery point; and
- The remaining 16 were curtailments of nominations in line with established contracts. The number of curtailments is in line with previous years. Customers on the Non-Maui transmission system may nominate for additional supply above the guaranteed contract amounts based on the pipeline capacity. However, the ability of a customer to take additional gas is dependent on other users, and their contract arrangements allow for curtailment when the additional gas is unavailable. Individual contracts may also permit gas supply to be curtailed in the event a power interruption affects compressor station availability Curtailment provisions and procedures for the Maui network are described in section 15 of the Maui Pipeline Operating Code (MPOC).[2]

Compressor stations and performance

In Schedules 9a and 9b we have disclosed 24 compressors situated at 9 compressor stations. In Schedule 10a we have reported operating data for 20 compressors at 8 stations. The reason for the difference is that Schedules 9a and 9b account for all stations and compressors owned by First Gas, whereas Schedule 10 accounts for all stations and compressors currently operational.

The number of instances when a compressor was required but unavailable for service has increased in this disclosure period. The cause of this increase is primarily due to the Henderson compressors coming on line in 2017. These compressors rely on electrical supply. If the electrical supply fails, then the compressors may be unavailable when required.

First Gas is considering options to provide a back-up electricity supply in the event of an interruption on the electricity network.

Emergency events

There was one emergency event during this disclosure period. While completing repairs to one of the riser pipes at the Oparure Mainline Valve, a temporary sealing plug was fitted. This plug failed resulting in an uncontrolled gas release. The event was immediately reported to the First Gas control room by First Gas personnel who were on site when the event started. As First Gas personnel were

on site when the event started, the response time between notification of the event and personnel on site was zero minutes.

Insurance cover

19. In the box below, provide details of any insurance cover for the assets, including-

    19.1 The GTB's approaches and practices in regard to the insurance of assets, including the level of insurance;

    19.2 In respect of any self-insurance, the level of reserves, details of how reserves are managed and invested, and details of any reinsurance.

Box 16: Explanation of insurance cover

Insurance cover is in place for all assets in the gas transmission system, including policies for material damage, business interruption and contract works insurance.

Insurance costs are allocated to the Transmission business based on the businesses share of total RAB forecasts.

Amendments to previously disclosed information

20. In the box below, provide information about amendments to previously disclosed information disclosed in accordance with clause 2.12.1 in the last 7 years, including:

    20.1 a description of each error; and

    20.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

Box 17: Disclosure of amendment to previously disclosed information

No amendments are required.

[2] The MPOC is available on the First Gas website.
https://firstgas.co.nz/wp-content/uploads/Maui-Pipeline-Operating-Code-4-Jan-2018-1.pdf

Company Name	First Gas Limited
For Year Ended	30 September 2018

Schedule 15 Voluntary Explanatory Notes

1. This schedule enables GTBs to provide, should they wish to-

   1.1 additional explanatory comment to reports prepared in accordance with clauses 2.3.1, 2.4.20, 2.5.1, and 2.5.2;

   1.2 information on any substantial changes to information disclosed in relation to a prior disclosure year, as a result of final wash-ups.

2. Information in this schedule is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section 2.8.

3. Provide additional explanatory comment in the box below.

In completing this disclosure, First Gas has made two minor amendments to information after discussion with the Commerce Commission. These amendments are:

- **Schedule 4: Adjusting the opening Unallocated RAB balance**
  The opening Unallocated RAB balance has been adjusted as discussed in box 4 of the mandatory notes; and
- **Schedule 5d: Comparing the effect of cost allocations**

  When comparing the change in cost allocations in Schedule 5d(iii), the CY-1 result is based on a 12-month period (October 2016 – September 2017) instead of the 2017 disclosure period. The 2017 disclosure period for the Non-Maui system covered the 15 months from July 2016 to September 2017, while the disclosure period for the Maui system covered the nine-month period from 1 January 2017 to 30 September 2017.

We have also received exemptions for how we report data to facilitate the merging of our two transmission businesses. These exemptions are:

- **Schedule 2: exemption from reporting ROI for the CY-1 and CY-2 periods**.

  In CY-1 our two transmission businesses were aligning to a September year end. They had different disclosure periods, with the Non-Maui disclosure covering a 15-month period and the Maui disclosure covering a nine-month period. In CY-2, the two systems had a different disclosure period. The Maui transmission system reported under a December year end, and the Non-Maui transmission system reported under a June year end. In both the CY-1 and CY-2 periods, merging the data would be difficult and not provide a reliable trend.

  Tables 1 and 2 provide the 2016 and 2017 disclosed results for the two transmission systems.

Table 1: 2016 (CY-2) and 2017 (CY-1) disclosure results for the Maui transmission system

ROI	CY-2	CY-1
ROI-comparable to a post-tax WACC	6.13%	7.47%
ROI-comparable to a vanilla WACC	6.72%	8.02%

CY-1 refers to the period 1 January 2017 to 30 September 2017.

CY-2 refers to the period 1 January 2016 to 31 December 2016.

Table 1: 2016 (CY-2) and 2017 (CY-1) disclosure results for the Non-Maui transmission system

ROI	CY-2	CY-1
ROI-comparable to a post-tax WACC	5.86%	7.09%
ROI-comparable to a vanilla WACC	6.49%	7.63%

CY-1 refers to the period 1 July 2016 to 30 September 2017.

CY-2 refers to the period 1 June 2015 to 31 July 2016.

- **Schedule 4: the historical RAB roll-forward is summed from the previously disclosed results**.

  Section 4(i) requires that First Gas rolls forward the Regulated Asset Base (RAB) on an annual basis from 30 September 2014. However, from 2014 – 2016 the two separate businesses had different year ends and neither of them were September.

  For the historic roll-forward of RAB, we have added the annual disclosed results together. No adjustment has been made for the different year ends (2014 – 2016) or the different disclosure period in 2017.

The merging of the two transmission systems into one disclosure was difficult to achieve whilst they are operated under two separate transmission access codes. In completing this disclosure, and after discussion with the Commerce Commission, First Gas has continued to complete separate demand schedules (Schedule 9d) for each system. This results in limitations to the usefulness of any ratios disclosed in Schedule 1 where energy demand (TJs) is used. As a result:

- **Schedule 1: ratios where demand is used are indicative only.**

  The Maui and Non-Maui transmission systems operated under separate access codes for the 2018 disclosure period – the Maui Pipeline Operating Code (MPOC) and Vector Transmission Code (VTC). This causes difficulties when trying to disclose demand on a single transmission system basis. Quantities are transferred between the systems under the codes, therefore adding the demand quantities together is not accurate. Therefore, all ratios where demand (TJs) is used as should be treated with caution and considered indicative of trends rather than a definitive result.

- **Schedule 9d: the Maui and Non-Maui transmission system are disclosed separately**

  As noted above, the Maui and Non-Maui transmission systems operated under separate access codes for the 2018 disclosure period. Quantities are transferred between the systems under the codes and adding the demand on both systems together in a single schedule would result in the over-reporting of demand. We have continued to disclose schedule 9d separately for the two transmission systems.

It is anticipated First Gas will operate under a single transmission access code from 1 October 2019.

Schedule 19 Certification for Year-end Disclosures

Clause 2.9.3

We, Philippa Jane Dunphy and Euan Richard Krogh, being directors of First Gas Limited certify that, having made all reasonable enquiry, to the best of our knowledge-

a) the information, prepared for the purposes of clauses 2.3.1, 2.3.2, 2.4.20, 2.5.1 and 2.7.1 of the *Gas Transmission Information Disclosure Determination 2012* in all material respects complies with that determination; and

b) the historical information used in the preparation of Schedules 8, 9a, 9b, 9c, 9d, 10a, 10b and 14 has been properly extracted from the First Gas Limited's accounting and other records sourced from its financial and non-financial systems, and that sufficient appropriate records have been retained.

Director Philippa Jane Dunphy	Director Euan Richard Krogh
Date 28 February 2019	Date 28 February 2019

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

Conclusion

We have concluded that, in all material respects, Schedules 1, 2, 3, 4, 5 (a-g), 6 (a-b), 7 and 14 (boxes 1 – 12) of the First Gas Limited Gas Transmission Information Disclosure Requirements Information Templates (the 'schedules'), have been prepared, in accordance with the Commerce Commission Gas Transmission Information Disclosure Amendments Determination (No. 1) 2017 – 14 June 2017 and the related Reasons Paper and Input Methodologies (together 'the determination') for the 12 months ended 30 September 2018.

As far as appears from an examination of them, proper records to enable the complete and accurate compilation of the schedules as at 30 September 2018, have been kept by First Gas Limited for the 12 months ended 30 September 2018.

As far as appears from examination, the information used in the preparation of the schedules as at 30 September 2018 has been properly extracted from First Gas Limited's accounting and other records and has been sourced, where appropriate, from First Gas Limited's financial and non-financial systems.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to First Gas Limited's schedules for the 12 months ended 30 September 2018.

Criteria

We have performed an engagement to provide reasonable assurance in relation to the Schedules 1, 2, 3, 4, 5 (a-g), 6 (a-b), 7 and 14 (boxes 1 – 12) prepared in accordance with the determination for the 12 months ended 30 September 2018.

Standards we followed

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 *Compliance Engagements*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the schedules are free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

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How to interpret reasonable assurance and material misstatement

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement when it exists.

Misstatements, including omissions, within the schedules are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the schedules.

Use of this assurance Report

Our report should not be regarded as suitable to be used or relied on by any parties other than First Gas Limited and the New Zealand Commerce Commission in relation to section 2.8.1 of the determination for any purpose or in any context. Any party other than First Gas Limited or the New Zealand Commerce Commission who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than First Gas Limited and the New Zealand Commerce Commission for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to First Gas Limited and the New Zealand Commerce Commission on the basis that it shall not be copied, referred to or disclosed, in whole (save for First Gas Limited's own internal purposes) or in part, without our prior written consent.

Directors' responsibility for the schedules

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

Our responsibility

Our responsibility is to express a conclusion to the directors on the preparation and presentation of the schedules in accordance with the determination.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided audit, other assurance and non-audit services to First Gas Limited. Partners and employees of our firm may also deal with First Gas Limited on normal terms within the ordinary course of trading activities of the business of First Gas Limited. These matters have not impaired our independence as assurance practitioners for this assurance engagement. The firm has no other relationship with, or interest in, First Gas Limited.

KPMG

KPMG
Auckland

28 February 2019