



Information disclosure for the gas transmission business

Year ending 30 September 2022



Introduction

First Gas Limited (Firstgas) owns and operates 2,500 kilometres of gas transmission pipelines. These pipelines transport around 20 percent of New Zealand's primary energy supply from Taranaki across the North Island. Firstgas also owns and operates more than 4,900 kilometres of gas distribution pipelines that service approximately 66,000 consumers across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne and Kāpiti Coast.

Firstgas is part of the wider Firstgas Group. Headquartered in New Plymouth, Firstgas Group is an umbrella brand consisting of Rockgas, Firstgas, Flexgas and Gas Services NZ. Firstgas and Rockgas deliver natural gas and supply LPG respectively to over 500,000 customers through their network of high-pressure gas transmission pipelines and distribution pipelines in the North Island, as well as through LPG distribution pipelines in the South Island, 36 local LPG suppliers, and over 180 Refill & Save locations across New Zealand.

Flexgas operates the Ahuroa gas storage facility in Central Taranaki. Gas Services NZ provides operational and maintenance support to all gas infrastructure owners, including other parts of Firstgas Group.

Information disclosure

This document contains Firstgas' annual information disclosure for the gas transmission business, for the year ending on 30 September 2021, as required by the *Gas Transmission Information Disclosure Determination 2012* consolidating all amendments as of 3 April 2018 ("the Determination") issued by the Commerce Commission.

The following documents are provided with this compliance statement:

- Schedules 1-10: Financial and technical schedules
- Schedules 14-15: Mandatory and voluntary explanatory notes, including information on related party transactions
- Schedule 19: Director Certification
- PwC assurance report

This information disclosure was prepared on 22 February 2023.

Further information

For further information regarding this compliance statement, please contact:

Regulatory Policy Manager
First Gas Limited
compliance@firstgas.co.nz
04 979 5368

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 2023](#)

Disclosure Year (year ended)

[30 September 2022](#)

Templates for Schedules 1–10 excluding 5f–5g
Template Version 4.1. Prepared 21 December 2017

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Company Name **First Gas Limited (Transmission)**
For Year Ended **30 September 2022**

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

	Ratio of expenditure to quantity of gas delivered (\$ per TJ)	Ratio of expenditure to system length (\$ per km)
Operational expenditure	388	21,480
Network	145	8,050
Non-network	243	13,430
Expenditure on assets	247	13,647
Network	230	12,734
Non-network	17	914

17 1(ii): Service Intensity Measures

Volume density	55	Quantity of gas delivered per km of system length (TJ/km)
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21 1(iii): Composition of Revenue Requirement

	(\$000)	% of revenue
Operational expenditure	53,993	39.01%
Pass through and recoverable costs excluding financial incentives and wash-ups	9,010	6.51%
Total depreciation	34,764	25.12%
Total revaluations	63,198	45.66%
Regulatory tax allowance	9,602	6.94%
Regulatory profit/(loss) including financial incentives and wash-ups	92,913	67.13%
Total regulatory income	138,411	

31 1(iv): Reliability

Interruption rate	-	Interruptions per 100km of system length
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Company Name **First Gas Limited (Transmission)**
 For Year Ended **30 September 2022**

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

2(i): Return on Investment

ROI – comparable to a post tax WACC

Reflecting all revenue earned
 Excluding revenue earned from financial incentives
 Excluding revenue earned from financial incentives and wash-ups

Mid-point estimate of post tax WACC

25th percentile estimate
 75th percentile estimate

ROI – comparable to a vanilla WACC

Reflecting all revenue earned
 Excluding revenue earned from financial incentives
 Excluding revenue earned from financial incentives and wash-ups

WACC rate used to set regulatory price path

Mid-point estimate of vanilla WACC

25th percentile estimate
 75th percentile estimate

	CY-2 30 Sep 20 %	CY-1 30 Sep 21 %	Current Year CY 30 Sep 22 %
Reflecting all revenue earned	4.65%	7.33%	11.57%
Excluding revenue earned from financial incentives	4.65%	7.33%	11.57%
Excluding revenue earned from financial incentives and wash-ups	4.65%	7.62%	11.33%
Mid-point estimate of post tax WACC	4.07%	3.54%	4.30%
25th percentile estimate	3.36%	2.83%	3.60%
75th percentile estimate	4.78%	4.24%	5.01%
ROI – comparable to a vanilla WACC			
Reflecting all revenue earned	4.98%	7.58%	11.93%
Excluding revenue earned from financial incentives	4.98%	7.58%	11.93%
Excluding revenue earned from financial incentives and wash-ups	4.98%	7.86%	11.69%
WACC rate used to set regulatory price path	6.41%	6.41%	6.41%
Mid-point estimate of vanilla WACC	4.40%	3.78%	4.67%
25th percentile estimate	3.70%	3.07%	3.96%
75th percentile estimate	5.11%	4.49%	5.38%

2(ii): Information Supporting the ROI

(\$000)

Total opening RAB value
 plus Opening wash-up account balance
Opening RIV

874,465	
1,962	
	876,427

Line charge revenue
 plus Wash-up amount
Adjusted line charge revenue

136,569	
11,652	
	148,221

Expenses cash outflow
 plus Assets commissioned
 less Asset disposals
 plus Regulatory tax allowance
 less Other regulated income
Mid-year net cash outflows

63,003	
59,028	
117	
9,602	
1,842	
	129,674

Term credit spread differential allowance

1,327

Total closing RAB value
 less Adjustment resulting from asset allocation
 less Lost and found assets adjustment
 plus Closing wash-up account balance
Closing RIV

961,926	
117	
-	
2,550	
	964,359

ROI – comparable to a vanilla WACC

11.93%

Leverage (%)
 Cost of debt assumption (%)
 Corporate tax rate (%)

42%
 3.10%
 28.0%

ROI – comparable to a post tax WACC

11.57%

Company Name **First Gas Limited (Transmission)**
For Year Ended **30 September 2022**

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sch ref

2(iii): Information Supporting the Monthly ROI

Opening RIV

N/A

	Line charge revenue	Expenses cash outflow	Assets commissioned	Asset disposals	Other regulated income	Monthly net cash outflows
Month 1						-
Month 2						-
Month 3						-
Month 4						-
Month 5						-
Month 6						-
Month 7						-
Month 8						-
Month 9						-
Month 10						-
Month 11						-
Month 12						-
Total	-	-	-	-	-	-

Regulatory tax allowance

N/A

Term credit spread differential allowance

N/A

Closing RIV

N/A

Monthly ROI – comparable to a vanilla WACC

N/A

Monthly ROI – comparable to a post tax WACC

N/A

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

Year-end ROI – comparable to a vanilla WACC

9.94%

Year-end ROI – comparable to a post tax WACC

9.58%

* 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.

2(v): Financial Incentives and Wash-Ups

Financial incentives

-

Impact of financial incentives on ROI

-

Input methodology claw-back

-

CPP application recoverable costs

-

Catastrophic event allowance

-

Capex wash-up adjustment

868

Revenue wash-up draw down amount

1,962

Other wash-ups

-

Wash-up costs

2,830

Impact of wash-up costs on ROI

0.24%

Company Name **First Gas Limited (Transmission)**For Year Ended **30 September 2022****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

7	3(i): Regulatory Profit		(\$000)
8	Income		
9	Line charge revenue		136,569
10	plus Gains / (losses) on asset disposals		(11)
11	plus Other regulated income (other than gains / (losses) on asset disposals)		1,853
12			
13	Total regulatory income		138,411
14	Expenses		
15	less Operational expenditure		53,993
16			
17	less Pass-through and recoverable costs excluding financial incentives and wash-ups		9,010
18			
19	Operating surplus / (deficit)		75,409
20			
21	less Total depreciation		34,764
22			
23	plus Total revaluations		63,198
24			
25	Regulatory profit / (loss) before tax		103,842
26			
27	less Term credit spread differential allowance		1,327
28			
29	less Regulatory tax allowance		9,602
30			
31	Regulatory profit/(loss) including financial incentives and wash-ups		92,913
32			
33	3(ii): Pass-through and Recoverable Costs excluding Financial Incentives and Wash-Ups		(\$000)
34	Pass through costs		
35	Rates	1,482	
36	Commerce Act levies	1,392	
37	Industry Levies	37	
38	CPP specified pass through costs	-	
39	Recoverable costs excluding financial incentives and wash-ups		
40	Balancing gas costs	4,685	
41	Urgent project allowance	-	
42	Mokau compressor fuel gas costs	1,414	
43	Other recoverable costs excluding financial incentives and wash-ups	-	
44	Pass-through and recoverable costs excluding financial incentives and wash-ups		9,010
45			
46			
47	3(iv): Merger and Acquisition Costs		
48			(\$000)
49	Merger and acquisition expenditure		
50			
51	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)		
52			
53	3(v): Other Disclosures		
54			(\$000)
55	Self-insurance allowance		

Company Name **First Gas Limited (Transmission)**
 For Year Ended **30 September 2022**

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

for year ended	RAB 30 Sep 18 (\$000)	RAB 30 Sep 19 (\$000)	RAB 30 Sep 20 (\$000)	RAB 30 Sep 21 (\$000)	RAB 30 Sep 22 (\$000)
Total opening RAB value	824,222	829,884	834,976	849,688	874,465
less Total depreciation	31,148	32,786	34,954	34,267	34,764
plus Total revaluations	15,652	12,154	12,037	41,735	63,198
plus Assets commissioned	21,427	25,819	37,682	18,813	59,028
less Asset disposals	79	-	53	1,634	117
plus Lost and found assets adjustment				-	-
plus Adjustment resulting from asset allocation	(190)	(93)	(0)	130	117
Total closing RAB value	829,884	834,976	849,688	874,465	961,926

4(ii): Unallocated Regulatory Asset Base

	Unallocated RAB * (\$000)	RAB (\$000)
Total opening RAB value	875,272	874,465
less Total depreciation	34,909	34,764
plus Total revaluations	63,254	63,198
plus Assets commissioned (other than below)	2,456	2,308
Assets acquired from a regulated supplier	-	-
Assets acquired from a related party	56,720	56,720
Assets commissioned	59,175	59,028
less Asset disposals (other than below)	117	117
Asset disposals to a regulated supplier	-	-
Asset disposals to a related party	-	-
Asset disposals	117	117
plus Lost and found assets adjustment		
plus Adjustment resulting from asset allocation		117
Total closing RAB value	962,676	961,926

* 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.

Company Name **First Gas Limited (Transmission)**For Year Ended **30 September 2022****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 _t	1,186
CPI _{t-4}	1,106
Revaluation rate (%)	7.23%

	Unallocated RAB *		RAB	
	(\$000)	(\$000)	(\$000)	(\$000)
Total opening RAB value	875,272		874,465	
less Opening value of fully depreciated, disposed and lost assets	789		758	
Total opening RAB value subject to revaluation	874,484		873,706	
Total revaluations		63,254		63,198

4(iv): Roll Forward of Works Under Construction

	Unallocated works under construction		Allocated works under construction	
Works under construction—preceding disclosure year		43,771		43,765
plus Capital expenditure	34,475		34,373	
less Assets commissioned	59,175		59,028	
plus Adjustment resulting from asset allocation				
Works under construction - current disclosure year		19,071		19,110
Highest rate of capitalised finance applied				4.21%

Company Name **First Gas Limited (Transmission)**
For Year Ended **30 September 2022**

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	29,199		29,199	
Depreciation - no standard life assets	5,710		5,566	
Depreciation - modified life assets				
Depreciation - alternative depreciation in accordance with CPP				
Total depreciation		34,909		34,764

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	542,447	119,292	50,763	13,058	47,665	73,490	27,750	874,465
less Total depreciation	18,483	5,599	2,653	691	2,061	1,403	3,874	34,764
plus Total revaluations	39,461	8,516	3,569	940	3,448	5,314	1,950	63,198
plus Assets commissioned	30,374	15,074	906	3,070	-	1,035	8,569	59,028
less Asset disposals	-	-	-	-	-	-	117	117
plus Lost and found assets adjustment	-	-	-	-	-	-	-	-
plus Adjustment resulting from asset allocation	-	-	-	-	-	-	116	116
plus Asset category transfers	3,100	(1,557)	(1,472)	(64)	-	(7)	-	0
Total closing RAB value	596,899	135,726	51,113	16,314	49,051	78,429	34,395	961,926
Asset Life								
Weighted average remaining asset life	34.6	29.2	25.4	45.6	26.8	22.1	19.6	(years)
Weighted average expected total asset life	79.1	35.5	34.0	52.7	80.0	27.9	25.0	(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 1.4.1 of the ID determination.



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Company Name For Year Ended		First Gas Limited (Transmission) 30 September 2022
SCHEDULE 5b: REPORT ON RELATED PARTY TRANSACTIONS		
This schedule provides information on the valuation of related party transactions, in accordance with clause 2.3.6 of the ID determination. This information is part of audited disclosure information (as defined in clause 1.4 of the ID determination), and so is subject to the assurance report required by clause 2.8.		
sch ref		
7	5b(i): Summary—Related Party Transactions	
8	Total regulatory income	(\$000)
9		(\$000)
10		
11	Market value of asset disposals	
12	Service interruptions, incidents and emergencies	551
13	Routine and corrective maintenance and inspection	16,723
14	Asset replacement and renewal (opex)	-
15	Compressor fuel	-
16	Land management and associated activity	1,492
17	Network opex	18,767
18	System operations	3,488
19	Network support	6,798
20	Business support	-
21	Operational expenditure	29,053
22	Consumer connection	38
23	System growth	3,720
24	Asset replacement and renewal (capex)	28,433
25	Asset relocations	703
26	Quality of supply	-
27	Legislative and regulatory	-
28	Other reliability, safety and environment	496
29	Expenditure on non-network assets	286
30	Expenditure on assets	33,675
31	Cost of financing	
32	Value of capital contributions	
33	Value of vested assets	
34	Capital expenditure	33,675
35	Total expenditure	62,728
36		
37	Other related party transactions	
38	5b(iii): Total Opex and Capex Related Party Transactions	
39		Total value of transactions (\$000)
40	Name of related party	Nature of opex or capex service provided
41	Gas Services NZ	Service interruptions, incidents and emergencies
42	Gas Services NZ	Routine and corrective maintenance and inspection
43	Gas Services NZ	Land management and associated activity
44	Gas Services NZ	System operations
45	Gas Services NZ	Network support
46	Gas Services NZ	Consumer connection
47	Gas Services NZ	System growth
48	Gas Services NZ	Asset replacement and renewal (capex)
49	Gas Services NZ	Asset relocations
50	Gas Services NZ	Expenditure on non-network assets
51	Gas Services NZ	Other reliability, safety and environment
52		
53		
54		
55	Total value of related party transactions	62,728
56	* Include additional rows if needed	
57		

Company Name **First Gas Limited (Transmission)**
 For Year Ended **30 September 2022**

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

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

9

	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	Debt issue cost readjustment
10	2021 USPP 7yr	23/03/2021	10/03/2021	7.0	2.32%	185,112	203,815	278	(106)
11	2021 USPP 9yr	23/03/2021	10/03/2021	9.0	2.59%	165,626	178,017	497	(147)
12	2021 USPP 10yr	23/03/2021	24/11/2020	10.0	2.32%	107,619	105,087	404	(108)
13	2021 USPP 12yr	23/03/2021	24/11/2020	12.0	2.42%	286,985	270,745	1,507	(335)
14	2021 USPP 15yr	23/03/2021	24/11/2020	15.0	BKBM +200bps	225,000	223,774	1,688	(300)
15	* include additional rows if needed						981,439	4,372	(995)

16

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

17

18	Gross term credit spread differential	3,377
19		
20	Total book value of interest bearing debt	981,439
21	Leverage	42%
22	Average opening and closing RAB values	918,195
23	Attribution Rate (%)	39%
24		
25	Term credit spread differential allowance	1,327
26		
27		

Company Name **First Gas Limited (Transmission)**
 For Year Ended **30 September 2022**

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		551			
Not directly attributable				-	
Total attributable to regulated service		551			
Routine and corrective maintenance and inspection					
Directly attributable		15,751			
Not directly attributable				-	
Total attributable to regulated service		15,751			
Asset replacement and renewal					
Directly attributable		-			
Not directly attributable				-	
Total attributable to regulated service		-			
Compressor fuel					
Directly attributable		2,440			
Not directly attributable				-	
Total attributable to regulated service		2,440			
Land management and associated activity					
Directly attributable		1,492			
Not directly attributable				-	
Total attributable to regulated service		1,492			
System operations					
Directly attributable		3,488			
Not directly attributable				-	
Total attributable to regulated service		3,488			
Network support					
Directly attributable		7,310			
Not directly attributable				-	
Total attributable to regulated service		7,310			
Business support					
Directly attributable		679			
Not directly attributable	5,923	22,281	2,345	30,549	
Total attributable to regulated service		22,960			
Operating costs directly attributable		31,712			
Operating costs not directly attributable	5,923	22,281	2,345	30,549	-
Operational expenditure		53,993			

Company Name **First Gas Limited (Transmission)**
 For Year Ended **30 September 2022**

SCHEDULE 5d: REPORT ON COST ALLOCATIONS

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sch ref

5d(ii): Other Cost Allocations		Value allocated (\$000s)				OVABAA allocation increase (\$000s)
		Arm's length deduction	Gas transmission services	Non-gas transmission services	Total	
Pass through and recoverable costs						
Pass through costs						
	Directly attributable		2,910			
	Not directly attributable				-	
	Total attributable to regulated service		2,910			
Recoverable costs						
	Directly attributable		6,099			
	Not directly attributable				-	
	Total attributable to regulated service		6,099			

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

		(\$000)	
		CY-1	Current Year (CY)
Change in cost allocation 1			
Cost category		Original allocation	
Original allocator or line items		New allocation	
New allocator or line items		Difference	-
Rationale for change			
		(\$000)	
		CY-1	Current Year (CY)
Change in cost allocation 2			
Cost category		Original allocation	
Original allocator or line items		New allocation	
New allocator or line items		Difference	-
Rationale for change			
		(\$000)	
		CY-1	Current Year (CY)
Change in cost allocation 3			
Cost category		Original allocation	
Original allocator or line items		New allocation	
New allocator or line items		Difference	-
Rationale for change			

* 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 2022**

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

7	5e(i): Regulated Service Asset Values	
8		Value allocated (\$000s)
9		Gas transmission services
10	Pipes	
11	Directly attributable	596,899
12	Not directly attributable	
13	Total attributable to regulated service	596,899
14	Stations	
15	Directly attributable	135,726
16	Not directly attributable	
17	Total attributable to regulated service	135,726
18	Compressors	
19	Directly attributable	51,113
20	Not directly attributable	
21	Total attributable to regulated service	51,113
22	Main-line valves	
23	Directly attributable	16,314
24	Not directly attributable	
25	Total attributable to regulated service	16,314
26	Special crossings	
27	Directly attributable	49,051
28	Not directly attributable	
29	Total attributable to regulated service	49,051
30	Other network assets	
31	Directly attributable	78,429
32	Not directly attributable	
33	Total attributable to regulated service	78,429
34	Non-network assets	
35	Directly attributable	22,662
36	Not directly attributable	11,733
37	Total attributable to regulated service	34,395
38		
39	Regulated service asset value directly attributable	950,193
40	Regulated service asset value not directly attributable	11,733
41	Total closing RAB value	961,926

Company Name **First Gas Limited (Transmission)**For Year Ended **30 September 2022****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* †**

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68

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71

72

73

(\$000)

CY-1

Current Year (CY)

Change in asset value allocation 1

Asset category

Original allocator or line items

New allocator or line items

Original allocation

New allocation

Difference

-

-

Rationale for change

(\$000)

CY-1

Current Year (CY)

Change in asset value allocation 2

Asset category

Original allocator or line items

New allocator or line items

Original allocation

New allocation

Difference

-

-

Rationale for change

(\$000)

CY-1

Current Year (CY)

Change in asset value allocation 3

Asset category

Original allocator or line items

New allocator or line items

Original allocation

New allocation

Difference

-

-

Rationale for change

* 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

† include additional rows if needed

Company Name **First Gas Limited (Transmission)**For Year Ended **30 September 2022****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

7	6a(i): Expenditure on Assets		
8	Consumer connection		37
9	System growth		3,432
10	Asset replacement and renewal		27,490
11	Asset relocations		552
12	Reliability, safety and environment:		
13	Quality of supply	-	
14	Legislative and regulatory	-	
15	Other reliability, safety and environment	496	
16	Total reliability, safety and environment		496
17	Expenditure on network assets		32,007
18	Expenditure on non-network assets		2,297
19			
20	Expenditure on assets		34,304
21	plus Cost of financing		680
22	less Value of capital contributions		612
23	plus Value of vested assets		
24			
25	Capital expenditure		34,373
26	6a(ii): Subcomponents of Expenditure on Assets(where known)		
27	Research and development		1,108
28	6a(iii): Consumer Connection		
29	Connection types defined by GTB*		
30	Direct Connect	37	
31			
32			
33			
34			
35	* include additional rows if needed		
36	Consumer connection expenditure		37
37			
38	less Capital contributions funding consumer connection expenditure		
39	Consumer connection less capital contributions		37

Company Name **First Gas Limited (Transmission)**
 For Year Ended **30 September 2022**

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

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

		System Growth (\$000)	Asset Replacement and Renewal (\$000)
	Pipes	(276)	15,716
	Compressor stations	-	2,709
	Other stations	3,517	5,866
	SCADA and communications	-	546
	Special crossings	-	388
	<i>Components of stations (where known)</i>		
	Main-line valves	-	422
	Heating system	176	1,262
	Odourisation plants	-	298
	Coalescers	-	59
	Metering system	15	332
	Cathodic protection	-	31
	Chromatographs	-	(138)
	System growth and asset replacement and renewal expenditure	3,432	27,490
less	Capital contributions funding system growth and asset replacement and renewal	-	362
	System growth and asset replacement and renewal less capital contributions	3,432	27,128

6a(v): Asset Relocations

		(\$000)	(\$000)
	<i>Project or programme*</i>		
	400line SH3 Rapanui Crossing Remediation	366	
	200 line Kiwirail Drury Realignment	74	
	402Line Evolution Dr Recoat and Protection	72	
	200 line Park Estate Realignment	30	
	<i>* include additional rows if needed</i>		
	All other projects or programmes - asset relocations	10	
	Asset relocations expenditure		552
less	Capital contributions funding asset relocations	221	
	Asset relocations less capital contributions		331

6a(vi): Quality of Supply

		(\$000)	(\$000)
	<i>Project or programme*</i>		
	Nil		
	<i>* include additional rows if needed</i>		
	All other projects or programmes - quality of supply		
	Quality of supply expenditure		-
less	Capital contributions funding quality of supply		
	Quality of supply less capital contributions		-

Company Name **First Gas Limited (Transmission)**For Year Ended **30 September 2022****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

6a(vii): Legislative and Regulatory

Project or programme*

Nil

(\$000)

(\$000)

* include additional rows if needed

All other projects or programmes - legislative and regulatory

Legislative and regulatory expenditure

less Capital contributions funding legislative and regulatory

Legislative and regulatory less capital contributions**6a(viii): Other Reliability, Safety and Environment**

Project or programme*

Management of Change
Transmission Stations Cause and Effect
FY22 Additional MOC CAPEX
Auranga Development Stage 4

(\$000)

(\$000)

* include additional rows if needed

All other projects or programmes - other reliability, safety and environment

Other reliability, safety and environment expenditure

less Capital contributions funding other reliability, safety and environment

Other reliability, safety and environment less capital contributions**6a(ix): Non-Network Assets****Routine expenditure**

Project or programme*

Equipment
ICT
Vehicles
Building Refurbishment
Right-of-use Assets

(\$000)

(\$000)

* include additional rows if needed

All other projects or programmes - routine expenditure

Routine expenditure**Atypical expenditure**

Project or programme*

Nil

(\$000)

(\$000)

* include additional rows if needed

All other projects or programmes - atypical expenditure

Atypical expenditure**Expenditure on non-network assets**

Company Name

First Gas Limited (Transmission)

For Year Ended

30 September 2022

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	551	
9	Routine and corrective maintenance and inspection	15,751	
10	Asset replacement and renewal	-	
11	Compressor fuel	2,440	
12	Land management and associated activity	1,492	
13	Network opex		20,234
14	System operations	3,488	
15	Network support	7,310	
16	Business support	22,960	
17	Non-network opex		33,759
18			
19	Operational expenditure		53,993
20	6b(ii): Subcomponents of Operational Expenditure (where known)		
21	Research and development		421
22	Insurance		2,438

Company Name **First Gas Limited (Transmission)**
For Year Ended **30 September 2022**

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	139,362	136,569	(2%)

10	7(ii): Expenditure on Assets	Forecast (\$000) ²	Actual (\$000)	% variance
11	Consumer connection	2,777	37	(99%)
12	System growth	2,701	3,432	27%
13	Asset replacement and renewal	37,713	27,490	(27%)
14	Asset relocations	2,040	552	(73%)
15	Reliability, safety and environment:			
16	Quality of supply	-	-	-
17	Legislative and regulatory	-	-	-
18	Other reliability, safety and environment	530	496	(6%)
19	Total reliability, safety and environment	530	496	(6%)
20	Expenditure on network assets	45,761	32,007	(30%)
21	Expenditure on non-network assets	6,862	2,297	(67%)
22	Expenditure on assets	52,623	34,304	(35%)

23	7(iii): Operational Expenditure	Forecast (\$000) ²	Actual (\$000)	% variance
24	Service interruptions, incidents and emergencies	777	551	(29%)
25	Routine and corrective maintenance and inspection	15,169	15,751	4%
26	Asset replacement and renewal	-	-	-
27	Compressor fuel	7,956	2,440	(69%)
28	Land management and associated activity	1,636	1,492	(9%)
29	Network opex	25,538	20,234	(21%)
30	System operations	3,515	3,488	(1%)
31	Network support	4,041	7,310	81%
32	Business support	16,758	22,960	37%
33	Non-network opex	24,314	33,759	39%
34	Operational expenditure	49,852	53,993	8%

36	7(iv): Subcomponents of Expenditure on Assets (where known)	Forecast (\$000) ²	Actual (\$000)	% variance
37	Research and development	-	1,108	-

39	7(v): Subcomponents of Operational Expenditure (where known)	Forecast (\$000) ²	Actual (\$000)	% variance
40	Research and development	-	421	-
41	Insurance	-	2,438	-

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

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
For Year Ended

First Gas Limited (Transmission)
30 September 2022

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(i): Billed quantities by contract type

Contract type	Billed quantities - Gas throughput billed*	Billed quantities - Reserved capacity billed*	Billed quantities - Overrun charges billed*	Billed quantities - Approved Nominations billed**	Billed quantities - Σ (Approved Nominations x distance) billed**	Other quantities billed	Add extra columns for additional billed quantities as necessary
TJ	TJ	TJ	TJ	TJ	TJ.km		
Standard	57,632.07	59,760.49	400.99	131,110.80	14,512,941.16		
Non-standard	37,133.06	3,197.34	31.04	-	-		
Add extra rows for additional contract types as necessary							
Totals for all contracts	94,765.13	62,957.83	432.03	131,110.80	14,512,941.16		

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

Contract type	Total line charge revenue in disclosure year	Gas throughput revenue*	Reserved capacity revenue*	Overrun charges revenue*	Approved Nominations revenue**	Σ (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)
Standard	\$120,916	\$19,595	\$58,877	\$3,723	\$10,969	\$26,587	\$1,165		n/a
Non-standard	\$15,653	\$3,085	\$12,313	\$169	-	-	\$86		n/a
Add extra rows for additional contract types as necessary									
Totals for all contracts	\$136,569	\$22,679	\$71,190	\$3,892	\$10,969	\$26,587	\$1,251		-

*Vector only

**MDL only

Company Name

First Gas Limited (Transmission)

For Year Ended

30 September 2022

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

				Items at start of year (quantity)	Items at end of year (quantity)	Net change	Data accuracy (1-4)
7	Asset category	Asset class	Units				
8	Pipes	Protected steel pipes	km	2,514	2,514	0	3
9	Pipes	Special crossings	km	9	8	(1)	3
10	Stations	Compressor stations	No.	9	9	-	3
11	Stations	Offtake point	No.	132	123	(9)	3
12	Stations	Scraper stations	No.	14	14	-	3
13	Stations	Intake points	No.	11	9	(2)	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.	14	14	-	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.	108	106	(2)	3
21	Heating systems	Electric heaters	No.	4	4	-	3
22	Odourisation plants	Odourisation plants	No.	24	24	-	3
23	Coalescers	Coalescers	No.	41	38	(3)	3
24	Metering systems	Meters—ultrasonic	No.	10	10	-	3
25	Metering systems	Meters—rotary	No.	62	64	2	3
26	Metering systems	Meters turbine	No.	78	83	5	3
27	Metering systems	Meters—mass flow	No.	2	2	-	3
28	SCADA and communications	Remote terminal units (RTU)	No.	89	92	3	3
29	SCADA and communications	Communications terminals	No.	3	3	-	3
30	Cathodic protection	Rectifier units	No.	49	48	(1)	3
31	Chromatographs	Chromatographs	No.	11	12	1	3

sch ref

S9b.Asset Age Profile

Company Name

First Gas Limited (Transmission)

For Year Ended

30 September 2022

SCHEDULE 9c: REPORT ON PIPELINE DATA

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

sch ref

	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
7								
8	South - Kapuni - Frankley Road	1,035	201	4,116	2,289	35,833	35,647	64
9	Bay of Plenty	607	141	1,017	505	9,520	9,471	34
10	North	539	175	2,534	1,124	24,871	24,641	39
11	Te Awamutu North	11	136	67	37	508	508	3
12	Minor	16	62	29	34	296	293	19
13	Maui Pipeline	307	649	10,975	2,498	114,444	114,195	27
14	Total	2,514						

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

		Sensitive Use (S)	Industrial (I)	Heavy Industrial (HI)	Common Infrastructure Corridor (CIC)	Submerged (W)	Total (km) (at year end) *	Percentage of total
16								
17	Primary location class Rural (R1) land	11	11	13	8	3	2,193	86.99%
18	Primary location class Rural Residential (R2) land	11	1	1	5	-	182	7.22%
19	Primary location class Residential (T1) land	48	33	2	2	1	146	5.79%
20	Primary location class High Density (T2) land	-	-	-	-	-	-	-

* 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 2022**

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	-
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
Receipt Point	139,659	-	15
Direct Connect	-	106,255	37
Distribution System	-	32,827	108
* include additional rows if needed			
Total	139,659	139,081	160

9d(iii): Gas conveyed

	(TJ)
Intake volume (TJ)	139,659
Quantity of gas delivered (TJ)	139,081
Gas used in compressor stations (TJ)	605
Gas used in heating systems (TJ)	109
Change in line pack (TJ)	(7)
Vented gas (TJ)	3
Unaccounted for gas (TJ)	(147)
Total gas conveyed (TJ)	139,799

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)
Combined systems	139,659	(132)	(0.09%)	139,659	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
Total				139,659	-	

Company Name **First Gas Limited (Transmission)**For Year Ended **30 September 2022**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	-	33,522	113
Direct Connect	-	23,258	24
Bi-Directional	11,441	13,781	4
Receipt Point	59,332	-	18

* include additional rows if needed

Total **70,773 70,561 159****9d(iii): Gas conveyed**

(TJ)
Intake volume (TJ)
Quantity of gas delivered (TJ)
Gas used in compressor stations (TJ)
Gas used in heating systems (TJ)
Change in line pack (TJ)
Vented gas (TJ)
Unaccounted for gas (TJ)
Total gas conveyed (TJ)

Total gas conveyed (TJ)

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)	35,852	(209)	(0.58%)	35,852	-	-
Bay of Plenty (BOP)	9,548	29	0.30%	9,234	314	SKF, TAN
North (NORTH)	24,884	(77)	(0.31%)	24,884	-	-
Te Awamutu North (TAN)	508	-	-	508	-	-
Minor (MINORS)	296	-	-	296	-	-
Total				70,774	314	

Company Name	First Gas Limited (Transmission)
For Year Ended	30 September 2022
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)	108,620	-	7
Offtake Point (excluding Bi-directional Points and Compressor Stations)	-	109,381	18
Bi-Directional Point	5,937	4,813	1
Compressor Station	-	-	1
* include additional rows if needed			
Total	114,557	114,194	27

9d(iii): Gas conveyed

	(TJ)
Intake volume (TJ)	114,557
Quantity of gas delivered (TJ)	114,195
Gas used in compressor stations (TJ)	249
Gas used in heating systems (TJ)	-
Change in line pack (TJ)	(10)
Vented gas (TJ)	-
Unaccounted for gas (TJ)	103
Total gas conveyed (TJ)	114,444

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	114,557	123	0.11%	114,557		
	-	-	-	-		
	-	-	-	-		
	-	-	-	-		
	-	-	-	-		
	-	-	-	-		
Total				114,557	-	

Company Name

First Gas Limited (Transmission)

For Year Ended

30 September 2022

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

10a(i): Interruptions and Reliability

Total number of planned interruptions

1

Service incidents and emergencies

Number of incidents

261

Unplanned interruptions in transmission systems

Description and cause of Interruption	Transmission systems affected	Date	Duration (hrs)

*Add rows as necessary

Number of interruption or curtailment events:

due to insufficient capacity

-

due to consumer flows exceeding approved quantities

-

caused by equipment failure

-

caused by third parties

-

Total

-

10a(ii): Compressor Availability

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
Mokau	Unit #1	4,540	8,372	12	2
Mokau	Unit #2	3,195	7,215	2	2
Henderson	1	1,289	8,345	-	-
Henderson	2	1,071	8,269	-	1
Kaitoke	1	5,974	8,545	14	3
Kaitoke	2	1,787	8,508	-	7
Kapuni	2	2,682	7,713	-	-
Kapuni	3	3,313	8,693	1	-
Kapuni	5	3,707	5,946	2	-
Kawerau	1	42	7,363	14	-
Kawerau	2	41	7,671	4	-
Mahoenui	1	113	4,528	6	1
Mahoenui	2	111	5,416	1	1
Mahoenui	3	56	5,474	-	1
Pokuru	1	4,499	8,596	1	1
Pokuru	2	6,220	8,590	1	5
Rotowaro	3	6,393	8,553	-	-
Rotowaro	4	6,400	8,146	-	-
Rotowaro	5	1	1,155	-	-
Rotowaro	6	2,371	8,739	-	1

*Add rows as necessary

Company Name

First Gas Limited (Transmission)

For Year Ended

30 September 2022

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	-
9	Number of incidents relating to gas specification	32
10	Number of incidents relating to odourisation	-
11		
12	Response time to emergencies (RTE)	
13	Proportion of emergencies responded to within 3 hours (%)	100%
14	Average call response time (hours)	1.31
15	Number of emergencies	2
16		
17	Gas leaks	
18	Number of confirmed public reported gas escapes per system length (escapes/1000 km)	1.590
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	18
21	Number of gas leaks that did not result in disruption to supply	22

Company Name	First Gas Limited (Transmission)
For Year Ended	30 September 2022

Schedule 14 Mandatory Explanatory Notes

(Guidance Note: This Microsoft Word version of Schedules 14, 14a and 15 is from the Gas Transmission Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018. Clause references in this template are to that determination)

1. This schedule requires GTBs to provide explanatory notes to information provided in accordance with clauses 2.3.1, 2.4.20 and subclause 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 11 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 subclause 2.7.1(2).

Box 1: Explanatory comment on return on investment

In FY2022, the vanilla ROI for our gas transmission business was 11.93%. This is above the ROI of 7.58% reported for FY2021. This increase in ROI is primarily due to the significant increase in CPI in FY2022. The CPI for FY2022 was 7.23% in comparison to 4.93% in FY2021.

Regulatory Profit (Schedule 3)

- 4.1 In the box below, comment on regulatory profit for the disclosure year as disclosed in Schedule 3. This comment must include-
 - 4.2 a description of material items included in other regulated income (other than gains / (losses) on asset disposals), as disclosed in Schedule 3(i)
 - 4.3 information on reclassified items in accordance with subclause 2.7.1(2).

Box 2: Explanatory comment on regulatory profit

A termination fee of \$1.9 million was received in 2022 from Refining NZ. This fee was payable under the Interconnection Agreement for Marsden 1 Delivery Point, as per the Refining NZ termination notice dated 25 November 2021. This was included as other regulatory income

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

5. If the GTB incurred merger and acquisitions expenditure during the disclosure year, provide the following information in the box below-
 - 5.1 information on reclassified items in accordance with subclause 2.7.1(2)

- 5.2 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)

6. 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 subclause 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.

Re-categorised items

There were \$3.1 million of assets included in the Stations, Compressors and Main-line Valves categories in 2021 total assets on hand that should have been included in the Pipes category. These assets have been re-categorised in 2022 as shown in Schedule 4a.

Error in disclosure in 2021

The 2021 roll-forward of works under construction disclosed capital expenditure of \$7.1 million in unallocated works under construction. This should have been \$17 million and the closing balance of the works under construction should have been \$43.8 million (instead of \$33.9 million). The opening balance used for 2022 is the correct balance of \$43.8 million.

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

7. 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:

- 7.1 Income not included in regulatory profit / (loss) before tax but taxable
- 7.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible
- 7.3 Income included in regulatory profit / (loss) before tax but not taxable
- 7.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax

Box 5: Regulatory tax allowance: permanent differences

Permanent differences consist mainly of written off capital projects which did not proceed and has given rise to a non-deductible write off. Other immaterial amounts making up permanent differences are non-deductible professional and entertainment expenses.

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

8. 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:

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 6: Temporary differences

Temporary differences include movements in provisions and accruals. The largest movement pertains to the use of and release of provisions for the Gilbert Stream pipeline removal which has now been completed.

Cost allocation (Schedule 5d)

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

Box 7: Cost allocationApproach to cost allocation

Firstgas (transmission) is part of the Firstgas Group of companies. Business support functions are provided to other companies within the Group. Any shared costs are charged to the relevant related party on an arm's-length basis, as reported in schedule 5b. Further information on our related party transactions is included in the voluntary notes at the end of this disclosure.

Remaining shared costs within Firstgas are allocated applying the accounting-based allocation approach (ABAA). ABAA has been applied in accordance with the applicable Input Methodologies determination to allocate not-directly attributable costs (shared costs) between Firstgas' 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 the cost drivers for each cost item that is not directly attributable. The key allocator that can be used as a proxy allocator 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.

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 for each regulated business
- Employee-related costs such as 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 sponsorship and professional fees for audit, tax, information and technology and treasury functions which have a proxy cost allocator of the RAB
- Directors' fees which have a proxy cost allocator of RAB
- Insurance costs which have a proxy cost allocator of RAB.
- Business review costs which have a proxy cost allocator of revenue.

Reclassification of costs

There has been no reclassification of costs in the FY2022 disclosure period.

Asset allocation (Schedule 5e)

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

Box 8: Commentary on asset allocation

Approach to asset cost allocation

The accounting-based allocation approach (ABAA) has been applied in accordance with the applicable Input Methodologies determination to allocate not-directly attributable shared asset values between Firstgas' transmission and distribution businesses.

Non-network assets that are not directly attributable have been allocated across all Firstgas regulated businesses based on head count. These assets comprise:

- Software
- Computer equipment
- Building equipment and assets.

Headcount is considered an appropriate causal asset allocator as employee numbers tend to drive the need for building assets, computer and office equipment and software

Re-categorisation of costs

There were \$3.3 million of assets included in the Compressors category in FY2021 that should have been included in the Pipes (\$3.1 million) and Compressors (\$0.2 million) category. These assets have been re-categorised in FY2022 as shown in Schedule 4a.

Capital Expenditure for the Disclosure Year (Schedule 6a)

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

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

11.2 information on reclassified items in accordance with subclause 2.7.1(2)

Box 9: 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.

Capital expenditure in FY2022

Our focus continues to be on maintaining and improving the resilience of the gas transmission system and security of supply. This focus was reflected in the work programme that was undertaken in FY2022. Major works included:

- Successful completion of the Gilbert Stream realignment project
- Commissioning of new delivery point in Tauriko to service increased demand in Tauranga
- In-line-inspection (pigging) of the transmission system. This is an ongoing programme of work, with the frequency that individual pipelines are intelligently pigged driven by our Pipeline Integrity Management Plan. To maintain our certificate of fitness for the network, our pipeline certifier (Lloyds) requires that we conduct the pigging at our specified intervals across all our piggable pipelines.
- Continuing a programme to upgrade or modify pigging facilities to improve operational safety and enabling equipment to better accommodate in-line equipment technology.

Further detail on our expenditure for FY2022, and our future work programme is available in our 2022 Asset Management Plan (AMP) Update published on the Firstgas website here:

<http://firstgas.co.nz/aboutus/regulatory/transmission>

Operational Expenditure for the Disclosure Year (Schedule 6b)

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

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

12.2 Information on reclassified items in accordance with subclause 2.7.1(2)

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

Box 10: Explanation of operational expenditure for the disclosure year

There was no asset replacement and renewal operational expenditure this year

Research and development expenditure

Firstgas is committed to supporting New Zealand's transition to a net zero carbon economy. We are investigating how gas networks can support this transition, while still maintaining and improving the resilience and security of supply of the existing gas transmission network.

In FY2022, we have continued with our work programme investigating zero or low-carbon gases. The following work was undertaken through our contribution of \$421,000 allocated to research and development, and partial funding from project partners:

- Hydrogen trial: In March 2021, we released our report into whether green hydrogen can be used in New Zealand and transported via the existing gas pipeline network. Our report concluded that hydrogen is viable in a zero-carbon energy system and that it is feasible to convert Firstgas pipelines to hydrogen — initially as a blend, and then to 100% in the future. Work is in phase 1, developing the technical and strategic plans to enable Firstgas to undertake hydrogen blending trials in select locations. This work programme will continue over the coming years.
- Biomethane pre-feasibility studies: We have undertaken development work with external biogas companies over the year to explore options for building anaerobic digestion plants in different locations across the country, upgrading biogas, and injecting the resulting biomethane into the gas network.

Variance between forecast and actual expenditure (Schedule 7)

13. 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 subclause 2.7.1(2).

Box 11: Explanatory comment on variance in actual to forecast expenditure

Overall, our capital works programme associated with expenditure on network assets was considerably lower than stated in the FY2021 Asset Management Plan (AMP) for the FY2022 period, with expenditure on assets of \$34.3 million compared with expenditure forecast in the AMP for this period of \$52.6 million.

Expenditure on assets (Capex)

Further COVID-19 lockdowns during FY2022 further impacted the timing of our Capital works programme; however, we were able to achieve most of our planned works. The underspend in Capex was attributed to expenditure associated with projects driven by third party needs: asset relocations, system growth and customer connections.

The major variance in FY2022 Capex relate to not proceeding with two customer connections, delayed expansion of the Warkworth network beyond 2028, and an underspend against the Compressor Strategy due to undertaking a further review, considering network optimisation and emissions reduction. The Non-Network capex forecast included SaaS costs which have subsequently been recategorised as Opex

Operational expenditure

Overall, expenditure associated with the network Opex is mostly aligned with the forecast in the 2021 AMP for the FY2022, with an 8% variance. The variance between the forecast expenditure for Non-network Opex and actual expenditure for FY2022 is due to the recategorisation of SaaS costs.

Information relating to revenues and quantities for the disclosure year

14. 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 subclause 2.4.3(3), and total billed line charge revenue for the disclosure year as disclosed in Schedule 8.

Box 12: Explanatory comment relating to revenue for the disclosure year

Our actual revenue of \$136.6 million is approximately 2% less than our target (forecast) revenue of \$139.4 million for the FY2022 disclosure period. This small variance to forecast has been largely driven by higher than forecast capacity reservations.

Further information on how we forecast target revenue is available from our transmission pricing methodology and ex-ante price setting compliance statements. These documents are available on the Firstgas website at <https://firstgas.co.nz/about-us/regulatory/transmission/>

15. 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 13: 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 2021, in line with the price path calculation specified in the Default Price-Quality Path Determination for transmission services, 2017 – 2022.

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). For the FY2022 disclosure period, we have continued to operate under the Maui Pipeline Operating Code (MPOC) and the Gas Transmission Code (GTC) for the Maui and Non-Maui pipelines respectively.

Network Reliability for the Disclosure Year (Schedule 10a)

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

Box 14: Commentary on network reliability for the disclosure year**Incidents and interruptions**

A total of 261 incidents were recorded on the gas transmission system during the FY2022 disclosure period, compared to 248 incidents in FY2021. Most of the incidents in this disclosure period relate to near miss events, station equipment failures, gas specification excursions by gas producers, natural gas odour reported in vicinity of pipelines and unauthorised work over the pipeline.

For FY2022, we have seen a slight increase in the number of unauthorised work events with 35 reported events, compared to 33 the previous year. Firstgas continues our focus on landowner and contractor communications to raise awareness of pipeline safety process requirements including contacting us for easement permits and requesting information on the location of assets before they dig. Satisfaction surveys conducted during the year have indicated landowners and contractors working within our easements have high awareness of the pipeline safety process and continue to report positive interactions with Firstgas.

An interruption is a subset of incidents and occurs when gas supply to a consumer stops for at least one minute. There were no unplanned interruptions in this disclosure period. There was one planned interruption on the gas transmission system during FY2022. This was related to planned maintenance and site upgrade activity, that were aligned with downstream customer planned outage.

Curtailments

There were no curtailment events recorded in the FY2022 disclosure period, compared to 14 in the prior year. Curtailments are caused by third parties. Firstgas has no control over curtailments and their number is affected by the number of production station outages, or mismatch between nominated and actual gas flows by system users.

Compressor stations and performance

In Schedules 9a and 9b, we have disclosed 20 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 owned by Firstgas, 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 (from 19 instances in FY2021 to 25 in FY2022). The cause of this increase was primarily due to a higher number of interruptions to the power supply for the Kaitoke compressors. The availability of the Kaitoke compressors when required worsened this year due to a higher number of electrical supply issues on the network supplying the compressor station.

Emergency events

There were two emergency events during this disclosure period:-

Event 11442 – 3 July 2022

Gas leak from the 200 pipeline at 58 Mathers Road, Te Kuiti.

Event 11612 – 22 July 2022

100 pipeline exposed in flooded stream near Whanganui Airport.

Product control

We have seen a decrease in the number of product control incidents relating to gas specification, with 32 incidents recorded in FY2022 compared to 43 in FY2021. This has been an increased area of focus for FY2022, with Firstgas increasing our engagement with the gas producers supplying the transmission system. This has taken the form of various workshops, business to business discussions over specific events and regular compliance monitoring.

Insurance cover

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

- 17.1 The GTB's approaches and practices in regard to the insurance of assets, including the level of insurance;
- 17.2 In respect of any self insurance, the level of reserves, details of how reserves are managed and invested, and details of any reinsurance.

Box 15: 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 gas transmission business based on the businesses share of total RAB forecasts.

Amendments to previously disclosed information

18. 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:

- 18.1 a description of each error; and
- 18.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

Box 16: Disclosure of amendment to previously disclosed information

No amendments have been made to previously disclosed information.

Company Name First Gas Limited (Transmission)

For Year Ended 30 September 2022

Schedule 15 Voluntary Explanatory Notes

(In this Schedule, clause references are to the Gas Transmission Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018.)

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.



REGULATORY DISCLOSURE

Gas transmission services:

Appendix A - Information disclosure for related parties

For the year ended 30 September 2022



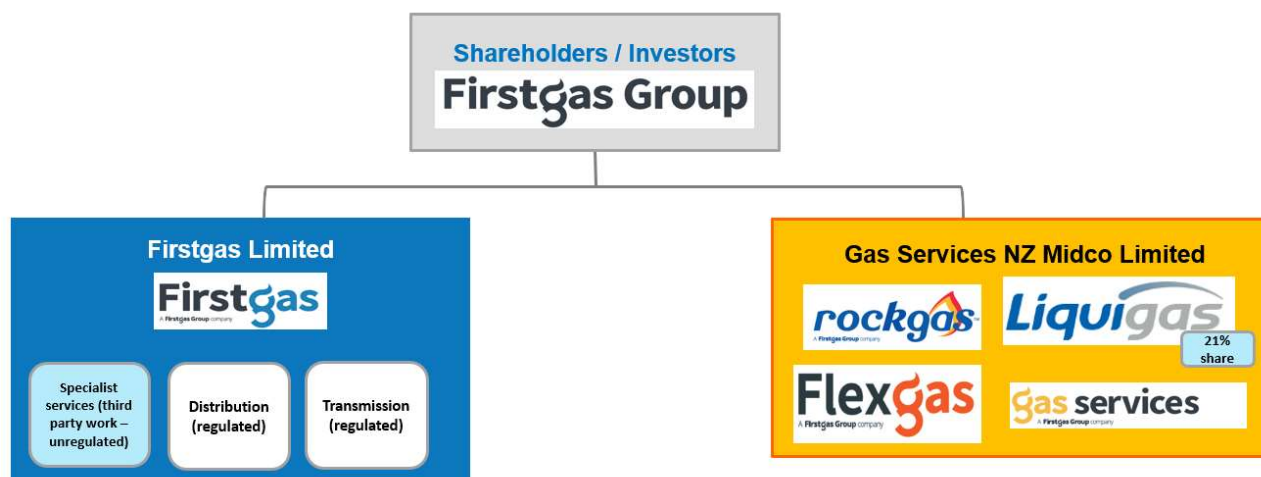
Introduction

First Gas Limited (Firstgas) owns and operates 2,500 kilometres of gas transmission pipelines. These pipelines transport around 20 percent of New Zealand's primary energy supply from Taranaki across the North Island. Firstgas also owns and operates more than 4,900 kilometres of gas distribution pipelines that service approximately 66,000 consumers across the regions of Northland, Waikato, Central Plateau, Bay of Plenty, Gisborne and Kāpiti Coast.

Firstgas is part of the wider Firstgas Group. Headquartered in New Plymouth, Firstgas Group is an umbrella brand consisting of Rockgas, Firstgas, Flexgas and Gas Services NZ. Firstgas and Rockgas deliver natural gas and supply LPG respectively to over 500,000 customers through their network of high-pressure gas transmission pipelines and distribution pipelines in the North Island, as well as through LPG distribution pipelines in the South Island, 36 local LPG suppliers, and over 180 Refill & Save locations across New Zealand.

Flexgas operates the Ahuroa gas storage facility in Central Taranaki. Gas Services NZ provides operational and maintenance support to all gas infrastructure owners, including other parts of Firstgas Group.

Figure 1: Structure of the Firstgas Group for disclosure year 2022¹



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

Information disclosure requirements

This disclosure is made on behalf of Firstgas' transmission business. Firstgas (transmission) procures operations and maintenance (O&M) services from its related party, Gas Services New Zealand Midco Limited (GSNZ Midco). The extent of these and other purchases from the wider Firstgas Group mean that Firstgas (transmission) procures more than 65% of its operating expenditure (Opex) and capital expenditure (Capex) from a related party.

Given this use of related parties, Firstgas (transmission) is subject to the full disclosure requirements for related parties under the *Gas Transmission Information Disclosure Determination 2012* consolidating all amendments as of 3 April 2018 (ID Determination) issued by the Commerce Commission.

¹ The structure of the Firstgas Group and companies has been truncated to facilitate understanding of the related party relationship.

The related party information disclosed on the following pages has been prepared in accordance with sections 2.3.8, 2.3.10, 2.3.12 and 2.3.13 of the ID Determination. It:

- Provides a summary of related party relationships and transactions
- Provides a summary of the Firstgas Group procurement policy and describes how this policy is applied in practice by Firstgas (transmission)
- Describes policies and procedures that require consumers to purchase goods or services from related parties
- Provides representative examples of how the procurement policy has been applied for related party purchases and how arm's length terms were tested
- Provides a map of anticipated network expenditure and constraints

This disclosure was prepared on 22 February 2023 and where required, has been audited as part of the annual information disclosure process.

A copy of the full procurement policy and associated guidelines has been provided to the Commerce Commission as required under section 2.3.11 of the ID Determination.

Further information

For further information regarding this disclosure, please contact:

Regulatory Policy Manager
First Gas Limited
compliance@firstgas.co.nz
04 979 5368

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3. Application of the procurement policy10

4. Policies that require consumers to purchase goods or services from Firstgas’ related parties14

5. Representative examples of how the procurement policy is applied15

6. Map of anticipated network expenditure and constraints25

1. Summary of Firstgas' related party relationships and transactions

Clause 2.3.8 of the ID Determination requires that:

“if a GTB has had related party transactions involving a procurement from a related party during that disclosure year, the GTB must publicly disclose a diagram or a description that shows the connection between the GTB and the related parties with which it has had related party transactions in the disclosure year, including for each of those related parties-

- (1) *the relationship between the GTB and the related party*
- (2) *the principal activities of the related party*
- (3) *the total annual expenditure incurred by the GTB with the related party.*

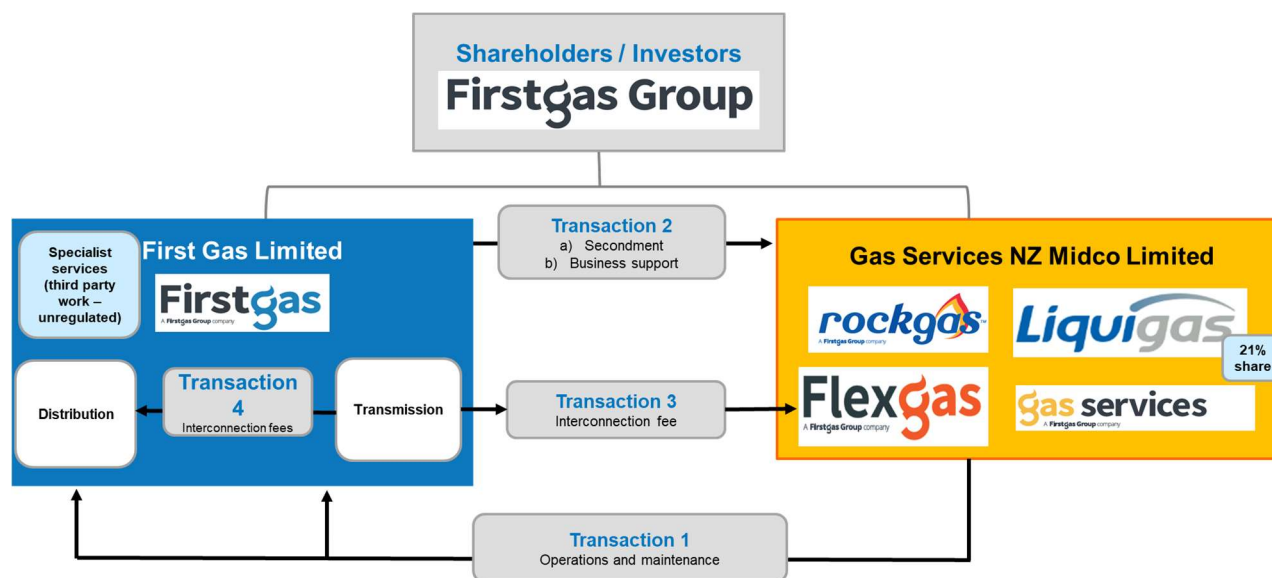
In FY2022, Firstgas (transmission):

- Procured operations and maintenance (O&M) services from its related party, Gas Services New Zealand (Midco) Limited (GSNZ Midco)
- Supplied interconnection services to Flexgas and Firstgas (distribution).²

Firstgas provides unregulated services to GSNZ Midco. In the FY2022 disclosure period, Firstgas provided seconded staff and business support services to GSNZ Midco under a Corporate Functions and Secondment Services Agreement (CFSA). The supply of these unregulated services was valued on an arm's length basis.

These related party transactions are illustrated in Figure 2³.

Figure 2: Related party transactions in disclosure year 2022



The following table describes the connection between Firstgas (transmission) and its related parties with which it has had transactions with during the 2022 disclosure year. A breakdown of these transactions is also provided in schedule 5b of our Information Disclosure schedules.

² The Firstgas transmission business and Firstgas distribution business are considered related parties for regulatory reporting purposes.

³ Given the de minimis level of sales to third parties by specialist services Firstgas applies a cost-based approach to allocating costs to the provision of regulated and unregulated businesses.

Table 1: The nature and extent of related party transactions in disclosure year 2022

Related Party	Nature of relationship	Principle activities of the related party	FY2022 expenditure/revenue between Firstgas (transmission) and its related party
GSNZ Midco (Transaction 1)	Firstgas (transmission) and GSNZ Midco have the same ultimate shareholders	GSNZ Midco supplies operations and maintenance (O&M) services to Firstgas (transmission) Services are provided principally to Firstgas under an O&M agreement between Firstgas and GSNZ Midco. Costs are directly attributable to Firstgas (transmission).	Network Capex \$33.689 million Non-Network Capex \$0.286 million Network Opex \$18.767 million System operations Opex \$3.488 million and Network support Opex \$6.799 million
GSNZ Midco (Transaction 2)	Firstgas and GSNZ Midco have the same ultimate shareholders	Firstgas supplies corporate function services to Rockgas and Flexgas and corporate function services and seconds staff to Gas Services under a Corporate Functions and Secondment Services Agreement (the CFSA).	Unregulated income of \$34.921 million is included in Schedule 5b for the provision of these services. This unregulated income is included in <i>total regulatory income</i> in schedule 5b (and is not included in Schedule 2 or Schedule 3). ⁴
Flexgas (Transaction 3)	Firstgas (transmission) and Flexgas have the same ultimate shareholders	Flexgas provides gas storage facilities to contracted third parties.	Other income received of \$0.014 million for interconnection fees. Flexgas' gas storage facility at Ahuroa connects to the gas transmission network.
Firstgas (distribution) (Transaction 4)	Firstgas (transmission) and Firstgas (distribution) are regulated businesses both owned by Firstgas	Firstgas (distribution) provides gas distribution services across the central North Island.	Other income received of \$0.234 million for interconnection fees to connect Firstgas (distribution) assets to the gas transmission network.

Gas Services (Midco) New Zealand Limited

GSNZ Midco and Firstgas are part of the wider Firstgas Group and have the same ultimate shareholders. GSNZ Midco owns Gas Services, a contracting company providing operations and maintenance services. GSNZ Midco also owns Flexgas which operates the gas storage facility at Ahuroa, and Rockgas a supplier of LPG.

In the 2022 disclosure year, GSNZ Midco provided 94% of the Firstgas (transmission) total Capex and 53% of all Operating Expenditure (Opex) under an Operations and Maintenance agreement (O&M agreement).

Services provided under the O&M agreement include:

- Management of the gas transmission business operations
- Asset management
- Health, safety and environment management

⁴ Costs directly attributable to the provision of the unregulated services are removed from the Firstgas regulated accounts. This reduces the level of business support costs remaining that are subsequently allocated to the regulated transmission and distribution businesses.

- Land and planning management
- Design and engineering services
- Scheduling and completing field works
- Incident and emergency response
- Gas control services
- Provision of non-network assets such as plant and equipment (if required).

Firstgas provides business support services (executive management, finance, HR, IT, and procurement services) to GSNZ Midco under the CFSA.

Operations and Maintenance (O&M) Agreement

Firstgas procures almost all of its network capital expenditure, most of its network Opex, and all its system operations and network support (SONS) expenditure from GSNZ Midco. These services are provided by Gas Services in accordance with the terms and conditions of the O&M agreement between Firstgas and GSNZ Midco.

While Firstgas owns the network and non-network assets and provides the gas transmission services across the North Island, under the O&M agreement GSNZ Midco manages the operation of the assets, carries out an agreed Capital and Maintenance works programme, responds to incidents and emergencies, and provides system operations and network support services to Firstgas.

When Firstgas' shareholders purchased the gas transmission and distribution businesses in 2016, they wanted to blend specific gas pipeline expertise within the company with fresh thinking from other organisations. The goal was to ensure a continuing development of best practice, efficiency improvements and cost control. A Joint Venture (JV) structure was adopted between GSNZ Midco⁵ and Australian gas pipeline services provider OSD (the Gas Services JV) to provide O&M services to Firstgas under an O&M agreement.

The O&M agreement was negotiated on an arm's length basis with an independent party (OSD). While the Gas Services JV was still considered a related party (due to the involvement of GSNZ MIDCO), the role of OSD as operator of the Gas Services JV overcame many of the usual concerns about the discipline on related parties to negotiate balanced arrangements.

The O&M agreement has allowed Firstgas to access a broader range of experience and capability for operating our gas pipeline businesses, drawing on the expertise of staff within Firstgas with the international expertise of OSD (particularly in adopting best practices from Australia).

In 2018, GSNZ Midco released OSD from the joint venture. This decision was made to reflect that Firstgas had emerged from the transition phase and significant improvements had been made in project delivery and putting robust processes in place. While this brought an end to the involvement of an independent party in delivering O&M services for Firstgas, the O&M service contract has remained in place (incorporating amendments to reflect the release of OSD).

Costs incurred under the O&M agreement are directly attributable to either the gas transmission or the gas distribution business.

⁵ Gas Services New Zealand Limited is the owner of Gas Services New Zealand (Midco) Limited

2. Summary of Firstgas' procurement policy

Clause 2.3.10 of the ID Determination requires that:

"if a GTB has had related party transactions involving a procurement from a related party during that disclosure year, the GTB must publicly disclose:

- (1) a summary of its current policy in respect of the procurement of assets or goods or services from any related party; or*
- (2) a summary of alternative documentation which is equivalent to a procurement policy in respect of the procurement of assets or goods or services from any related party.*

Pursuant to clause 2.3.10(2), this section provides a summary of our procurement policy and guidelines.⁶

Firstgas operates 2,500 kilometres of gas transmission pipelines (including the Maui pipeline), and more than 4,900 kilometres of gas distribution pipelines across the North Island. We require specialist personnel, contractors, and materials to operate and manage this extensive network in a safe and reliable manner.

To maximise our cost efficiency while managing our networks, the Firstgas Group has an overarching procurement policy. This policy requires we *"source, engage and manage suppliers in a professional and transparent manner within a consistent framework to achieve best value for Firstgas [Group]."* This Policy provides guiding principles for all procurement by, or on behalf of Firstgas Group.⁷

In this section, we summarise the procurement principles that underpin the procurement policy and the procurement methods employed by the Firstgas Group. Procurement of goods and services made by GSNZ Midco under the O&M agreement must abide by the Firstgas Group procurement policy.

Procurement principles

Anyone procuring goods and services for Firstgas must be familiar with and apply the following procurement principles:

- | | |
|----------------------------------|--|
| • Health & Safety First | The health and safety of staff and suppliers must be taken into consideration when procuring goods and/or services. |
| • Open and Effective Competition | Firstgas purchasing must be conducted in a manner that encourages competition amongst suppliers. |
| • Get the best for Firstgas | Making quality decisions that consider the life of the contract (or whole-of-life cost) not just selecting the lowest price. |
| • Play by the Rules | Building trust and relationships with suppliers and keeping a reputation as a fair buyer. |

These principles all contribute to producing efficient and effective infrastructure for the long-term benefit of our business and our customers. While we seek competitive outcomes, we believe consumers equally value least-cost over the lifetime of the asset and Firstgas always places the health and safety of our employees and contractors above other criteria. For example, we may not select the lowest price quote or tender if the supplier cannot meet our safety and quality standards or if the life-cycle cost of the asset is higher than other options.

⁶ Document 08843 Firstgas Group procurement policy and document 09410 Firstgas Group procurement guidelines

⁷The Firstgas Group referred to in the Procurement policy includes First Gas Limited and those companies fully owned by GSNZ Midco.

The competitive process

Whilst the Firstgas Group encourages competition amongst suppliers through our procurement process, to some extent this is governed by the value of the goods / services to be supplied and the availability of suppliers to meet our needs. This includes being suitably qualified to work on the gas networks.

Low-cost purchases will be supported, at a minimum, with quotations from several suppliers⁸. High value works will be supported by an open competitive process such as a request for proposal or invitation to tender where possible. This process is undertaken by GSNZ Midco to meet the requirements under its O&M agreement with Firstgas.

The Policy recognises that in some instances sole sourcing may be the only procurement option available. "Sole sourcing" refers to where a competitive procurement process, such as a tender or quote requests, cannot be used or there would be no benefit from going through a competitive process. This will generally be because only one supplier, to the best of our knowledge and belief, can deliver the required good(s) and/or service(s). In the relatively specialised field of gas transmission operations and maintenance, this is not an uncommon situation.

Other typical reasons for selecting sole sourcing include:

- **Availability / workload within pool of approved suppliers:** Particularly with professional services where we have already negotiated rates and have a pool of 3 – 5 suppliers. To ensure that work is allocated to avoid resource conflict, it may be acceptable to sole source smaller projects
- **Exclusivity:** Where Firstgas is already committed to an exclusive contract for the procurement of such goods or services for a set time period (for example the O&M Agreement with GSNZ Midco)
- **OEM / warranty arrangement:** Where sole source is required contractually.

The sole sourcing procurement option requires formal justification and approval in line with delegated authorities.

Monitoring and compliance

The Firstgas Group procurement team is responsible for monitoring compliance with the procurement policy for Firstgas and reporting any breaches of this policy to the Executive. The procurement team will undertake reviews of Firstgas' procurement activity especially around the compliance with the policy and the application of procurement processes. Reviews may include review of the procurement process undertaken by GSNZ Midco acting on the behalf of Firstgas under the O&M agreement.

Failure within the Firstgas Group to comply with the provisions of the procurement policy is a breach of an employee's Code of Conduct & Performance & Conduct Policy. Any instances of reported non-compliance will be investigated and may lead to disciplinary action.

Firstgas has a whistle blower policy that provides an avenue for employees to raise concerns about misconduct or wrongdoing. Misconduct or wrongdoing includes failure to abide by the procurement policy and the whistle blower policy enables anyone to report identified breaches of the procurement policy.

⁸ If the purchase is less than \$10,000 only one quote need be obtained.

3. Application of the procurement policy

Clause 2.3.12 of the ID Determination requires that:

“if a GTB has had related party transactions involving a procurement from a related party during that disclosure year, the GTB must publicly disclose-

- (1) a description of how the GTB applies its current policy for the procurement of assets or goods or services from a related party in practice;*
- (2) a description of any policies or procedures of the GTB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the gas transmission services;*
- (3) subject to subclause (5), at least one representative example transaction from the disclosure year of how the current policy for the procurement of assets or goods or services from a related party is applied in practice;*
- (4) for each representative example transaction specified in accordance with subclause (3), how and when the GTB last tested the arm’s-length terms of those transactions; and*
- (5) separate representative example transactions where the GTB has applied the current policy for the procurement of assets or goods or services from a related party significantly differently between expenditure categories.*

Pursuant to clause 2.3.12 (1), the following section describes how Firstgas (transmission) has applied the Firstgas Group procurement policy in respect of the procurement of goods or services from a related party.

In the 2022 disclosure period, Firstgas (transmission) has procured goods and services from GSNZ Midco under the O&M agreement.

Firstgas has contracted GSNZ Midco as the sole provider of operations and maintenance services. GSNZ Midco acts on behalf of Firstgas when project managing and purchasing required goods and services while carrying out its responsibilities under the O&M agreement.

The section considers the procurement of goods and services under the O&M contract.

3.1 Purchase of Opex and Capex services from our related party GSNZ Midco

The procurement policy puts emphasis on making decisions to achieve the best outcomes for Firstgas and its customers whilst keeping our staff, contractors, and assets free from harm. We manage long-life assets and require specialist personnel, contractors, and materials to operate and manage this extensive network in a safe and reliable manner.

Under the O&M agreement, Firstgas has contracted GSNZ Midco to manage the operational functions, maintain the network assets, implement and feed into the Asset Management Plan (AMP), and provide system operations and network support functions. From time to time, Firstgas may also procure non-network assets from GSNZ Midco. These assets are provided under the service agreement as they relate to the ongoing maintenance of the transmission network or management of the assets on the transmission network. GSNZ Midco acts on behalf of Firstgas when project managing and purchasing required goods and services in the course of carrying out its responsibilities under the O&M agreement.

As discussed above, our first step in ensuring we are achieving the best for our customers and businesses was to enter into an Operations and Maintenance (O&M) agreement.

The O&M agreement (first with the GSNZ Joint Venture and now with GSNZ Midco) provides a range of expertise and experience guiding and supporting our transmission business. This expertise and experience is vital in maintaining and expanding the network and also in the planning process both annually and long-term.

Provisions within the O&M agreement align with Firstgas procurement principles to ensure on-going value of the agreement to our customers. These include:

- Planning to ensure O&M works plans align with Firstgas requirements efficiently and in a cost-effective manner. This may include benchmarking of costs to ensure the O&M agreement continues to meet efficiency targets and is compliant with the related party rules for regulated businesses
- Service level agreements including a range of key performance indicators that are linked to payments
- Provisions around meeting stringent safety standards.

The O&M agreement has been provided to independent appraisers⁹ and to our auditors to confirm the terms are consistent with an arm's length transaction and to facilitate the audit of this section of our information disclosure.

To give an idea of how the O&M agreement works in practice, we consider the annual process:

- Planning
- Challenge and benchmarking process
- Execution of works including monitoring and reporting
- Completion of works

At the end of each year, Firstgas conducts an annual review of the process.

Planning

Planning is an important part of the procurement process. It determines the anticipated work plan for the year and highlights resource requirements, whether they be personnel or materials.

Each year Firstgas management work with the Chief Operations Officer (COO) of GSNZ Midco to develop and update the long-term Asset Management Plan (AMP)¹⁰. The AMP provides the asset management framework for Firstgas' transmission network and includes guidance on the expected annual works plan. The AMP is reviewed and approved by Firstgas management and Board of Directors.

The AMP is part of the long-term planning for the transmission network. It supports the Firstgas business plan and the operations and maintenance (O&M) plan. GSNZ Midco provides Firstgas with the long-term O&M plan to meet the network development and maintenance section of the business plan. The O&M plan includes indicative resourcing and costings and works plans. This must be agreed by both parties and the O&M agreement outlines the resolution process.

The COO of GSNZ Midco provides a budget to Firstgas to complete the annual works plan as required under the O&M agreement.

Challenge and benchmarking process

While GSNZ Midco is a related party of Firstgas, the O&M agreement is a commercial arrangement structured as if it was between two separate legal entities, with different ownership interests, and operating

⁹ An independent appraiser was engaged to confirm the valuation of related party transactions met the Information Disclosure Determination requirements for our FY2019 disclosures. The independent appraiser report is included in our information disclosure for FY2019, available on the Firstgas website: <https://firstgas.co.nz/wp-content/uploads/First-Gas-Distribution-Information-Disclosure-2019-STAMPED.pdf>. Firstgas was not required to obtain a further independent appraiser report for our FY2020 or FY2021 disclosures.

¹⁰ Firstgas (transmission) publishes an AMP or AMP update annually. These documents are available from our website <https://firstgas.co.nz/about-us/regulatory/transmission/>

on an arm's length basis. Each party acknowledges that a key objective of Firstgas in appointing GSNZ Midco to deliver the O&M is to ensure value for money and continuous improvement in delivery and value.

In practice, this means that Firstgas may accept in full or challenge any part of the budget provided by GSNZ Midco. Firstgas may subject all or part of the annual budget to a benchmarking procedure undertaken by an independent expert.

The Benchmarker will:

- Compare the O&M Services and Service Fee, including the component parts of the Service Fee, with the services, charges and margins being obtained under other similar service contracts in New Zealand and / or good international market services, charges and margins for third parties
- Assess, in light of this comparison, whether:
 - The scope of the O&M Services being provided is necessary to meet the Service Standards and
 - The Service Fee, including the component parts of the Service Fee, is market competitive and otherwise meets the Information Disclosure Determination requirements.

As there has been no material change in the scope of contracting services procured from GSNZ Midco in FY2022, we have undertaken benchmarking work for FY2022. To confirm there has been no material change in the five-year average margin on costs applied under the O&M agreement we had an independent expert confirm the margin on costs under the O&M agreement remain aligned with comparative third-party service providers in October 2022¹¹. To support the conclusion that our related party transactions are no more than would be incurred under an arm's-length basis we updated our benchmarking of costs against other industry participants at that time, where more information has been available.

Under the O&M agreement, we anticipate that prices charged by GSNZ Midco will not change significantly from year to year (unless there is strong evidence that input costs have permanently changed). This is consistent with a competitive market where companies with long-term contracts in place (such as the O&M agreement and CFSA) tend to set prices for longer terms. This gives service providers greater certainty to invest in staff and equipment required to fulfil the contract terms over the duration of the contract. When the margins earned by GSNZ Midco under the O&M agreement were reviewed for FY2022 Firstgas engaged independent experts to:

- Confirm the margin charged by GSNZ Midco under the O&M agreement was within the range of providers of similar services
- Cross-checked that GSNZ Midco costs remain efficient and consistent with the input prices Firstgas would have paid in an arm's length transaction by completing benchmarking against others in the industry.

Whilst we do not anticipate GSNZ Midco would need to significantly change prices within the contract period, we recognise that the onus remains on Firstgas to ensure that costs from related party transactions remain consistent with input prices that we would have paid in an arm's length transaction. The Commission has noted that there is some risk that long-term contracts can become out of date with current market practices and prices and Firstgas has actively considered this risk through our benchmarking process this year.

¹¹ As noted above, prices for the work procured under the O&M Agreement is agreed on or before the beginning of the financial year. Our financial year begins on 1 October.

For FY2022, our O&M agreement remains aligned with current market practices and prices. This was tested in September 2022 when we engaged an independent expert to:

- Consider changes in market practices or pricing for similar services and how this may affect arm's length margins
- Conduct a sample of relevant margin data to ensure no substantive and permanent change has occurred in the market since margins were established under the O&M Agreement for FY2022.

Whilst there was some evidence of lower margins due to COVID-19 for some of the sample group, there had not been a substantive or permanent change evidenced in the market. Overall, the margins within the O&M agreement remained aligned with the market.

Firstgas continued to cross-check that our costs remain efficient and consistent with the input prices Firstgas would have paid in an arm's length transaction by completing benchmarking against others in the industry. Benchmarking completed by an independent expert for FY2022 was updated in October 2022 where further information was available. This benchmarking confirmed expected FY2022 costs for Firstgas (transmission) are within the range of costs incurred by others in the industry.

Execution of works including monitoring and reporting

Once the O&M budget has been agreed, GSNZ Midco undertake responsibility to complete the works to the service level required. Significant large-scale projects are managed by the GSNZ Midco projects team. Projects of this nature often require additional resources and expertise. GSNZ Midco will source services and materials as required and in line with the Firstgas procurement policy.

The COO of GSNZ Midco reports monthly to Firstgas on progress against the works plan and budget for services provided under the O&M agreement. From time-to-time works may be required by Firstgas that are outside of the budgeted plan. Any change to the annual work plan is negotiated between GSNZ Midco and Firstgas. Any additional remedial works GSNZ Midco recommend are either included in the current year's workplan, with agreement from Firstgas or included in the annual works budget for following years.

The costs GSNZ Midco incurs undertaking the responsibilities of the O&M agreement are charged to Firstgas monthly and include a commercial mark up to enable a modest commercial profit. Benchmarking undertaken in 2022 and reviewed for the FY2022 disclosures has confirmed the mark-up applied is aligned with those of providers of similar services within Australasia, the United Kingdom and United States.

Completion of works

The completion of works is managed within GSNZ Midco. GSNZ Midco will process any project close out documentation and update maintenance records within Firstgas information systems. If the project was a Capex project, Firstgas will capitalise the project once GSNZ Midco notifies that the assets have been commissioned.

4. Policies that require consumers to purchase goods or services from Firstgas' related parties

Section 2.3.12 of the ID Determination requires that:

within 6 months after the end of each disclosure year, if a GTB has had related party transactions involving a procurement from a related party during that disclosure year, the GTB must publicly disclose-

- (2) *a description of any policies or procedures of the GTB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the gas transmission services;*

To work on or near Firstgas' transmission network, a contractor must be deemed competent and authorised to complete the work undertaken to meet operating standard requirements. This is very specialised work, and we require any work up to the delivery point on the transmission network be completed by Gas Services (a part of GSNZ Midco).

Customers that contribute to the cost of new developments or upgrades on our network are therefore required to use Gas Services to complete the works. Our capital contribution policy is available at <https://firstgas.co.nz/about-us/regulatory/transmission/>.

5. Representative examples of how the procurement policy is applied

5.1 Regulatory requirements

Section 2.3.12 of the ID Determination for our GTB specify that:

*within 6 months after the end of each **disclosure year**, if a **GTB** has had **related party transactions** involving a procurement from a **related party** during that **disclosure year**, the **GTB** must **publicly disclose**-*

- (3) *subject to subclause (5), at least one representative example transaction from the **disclosure year** of how the current policy for the procurement of assets or goods or services from a **related party** is applied in practice;*
- (4) *for each representative example transaction specified in accordance with subclause (3), how and when the **GTB** last tested the arm's-length terms of those transactions; and*
- (5) *separate representative example transactions where the **GTB** has applied the current policy for the procurement of assets or goods or services from a **related party** significantly differently between expenditure categories.*

5.2 Representative examples

Firstgas sources a range of services from GSNZ Midco to manage the network operations and complete the work plan each year. GSNZ Midco applies the Firstgas Group procurement policy for all expenditure under the O&M agreement. This is summarised in the table below followed by a separate representative example of the procurement process.

All agreements, methodologies and models, and reports from external parties have been provided to our auditors to facilitate their review of our related party transactions in FY2022 and this disclosure.

Table 2: Representative example transactions of costs in Schedule 5b

Expenditure category	Representative example	Procurement method	How and when were the arm's length terms last tested
<p>All network Capex categories</p> <p>All network Opex categories excluding the purchase of fuel gas</p> <p>System operations and network support</p> <p>Non-network assets</p>	<p>Network Opex and Capex and system operations and network support across the network.</p> <p>We provide examples below of procurement undertaken by GSNZ Midco on our behalf under the O&M agreement</p>	<p>Direct procurement from a 'sole supplier' under the existing O&M agreement.</p>	<p>The arm's length terms were tested as part of a benchmarking process that was undertaken during the 2022 disclosure year.</p> <p>In FY2022 Firstgas engaged an independent expert to benchmark:</p> <ul style="list-style-type: none"> • The margins applied to the costs of O&M services provided by GSNZ Midco to Firstgas • Total service costs against comparable businesses. <p>The margin benchmarking compared services supplied by GSNZ Midco to companies providing similar services across the United Kingdom, United States, Australia, and New Zealand. Total costs were compared to similar companies in Australia.</p> <p>Margin benchmarking was reviewed in September 2022 to confirm there had not been any substantive and permanent change in the market when agreeing prices in advance of the contract year. With no discernible permanent change indicated, the same margins were applied in FY2022 as applied in FY2021.</p> <p>Benchmarking against comparable businesses indicated that Firstgas costs are aligned with our peers and the wider market. This demonstrates that the cost of the underlying service is consistent with the input price that Firstgas would have paid in an arm's length transaction.</p> <p>Terms of the O&M agreement were provided to the independent appraiser in FY2022 and our auditors as part of their review of the related party valuation requirements in FY2022. There has been no change to the O&M agreement across years.</p> <p>Benchmarking was undertaken with the permission of GSNZ Midco. Benchmarking is allowed for under the O&M agreement.</p> <p>Terms of the O&M agreement, advice from the independent expert and benchmarking results were provided to our auditors as part of their review of the related party valuation requirements.</p>

5.3 Examples of procurement undertaken by GSNZ Midco on our behalf

Firstgas procures a range of services from GSNZ Midco. These services may have different characteristics and involve different procurement choices within the policy to suit the work undertaken. The process will remain consistent with the project management and reporting requirements within GSNZ Midco, and with monthly reporting against the budget and works plan provided to the Firstgas executive team.

The following examples of projects or works undertaken by GSNZ Midco for Firstgas illustrate the procurement process.

Major projects

All projects are managed by GSNZ Midco. The project delivery manager is responsible for delivering project work from the project approval and front-end engineering design (FEED) phase through to the final delivered and commissioned project.

GSNZ Midco will develop the initial FEED including the scope and expected cost of the project for approval by the Chief Operating Officer (COO). Projects outside of the budget or with significant cost may require further approval from Firstgas' Chief Executive and Board.¹²

Major projects are often long-term in nature, complex in design and may require more extensive procurement requirements. Due to the typically large amount of dedicated and varied resources required, segments of the project may be subcontracted by GSNZ Midco. Larger projects generally are more expensive and may require more extensive procurement processes under the Firstgas Group procurement policy. For example, there may be several tenders of work for different stages or requirements of the project.

A GSNZ Midco project manager will be assigned to oversee the project, manage the flow of work, work orders and purchase orders used to track expenditure. The project manager will also ensure suppliers are paid in the timeframe specified in any procurement contract for materials or services. Progress is reported to GSNZ MIDCO management. Progress on major projects may be reported to Firstgas at established intervals.

A formal project close-out process occurs on completion of the project.

We have provided two examples to illustrate the delivery of major projects by GSNZ Midco under the O&M contract:

- Commissioning of the Tauriko Delivery Point
- Mokau Compressor Unit 2 Rewheel

¹² Firstgas has a Delegations of Authority policy that outlines approval levels.

Example 1: Tauriko Delivery Point

Winstone Wallboards (WWB), a subsidiary of Fletcher Building Limited, is building a new wallboard manufacturing plant at the Tauriko Business Estate (TBE) near Tauranga. WWB is New Zealand's only manufacturer of gypsum plasterboard, drywall systems and associated products, under the GIB® brand.

A new Transmission new Delivery Point is required to serve the new plant.

The First Gas Limited (FGL) owned and operated 4" 800 line has been realigned to make way for the new facility under a separate project. As part of the realignment project, an offtake has been provided to supply the new Delivery Point. Land was also purchased as part of the project to house the Delivery Point.

Project name:	Tauriko Delivery Point
Project date	The project scope was issued in August 2021 with the works completed by the end of September 2022.
Project or work order number:	P10779
Project expenditure (estimated)	\$3.1 million
Project cost type	Consumer Connection
Project managed by:	GSNZ Midco acting on behalf of Firstgas under the O&M agreement
Subcontractors:	Energy Works completed the mechanical and civil works, Entec completed the electrical works

Planning:

Consumer Connection Capex is driven by third party requests. Each year Firstgas budgets for Consumer Connection Capex in its Asset Management Plan (AMP) based on any known upcoming works and trends in this category of expenditure¹³. Costs are predominantly covered by the party requiring the work and budgeted as capital contributions in the AMP forecast. Where possible, we align any maintenance or asset replacement and renewal Capex with the third party requested works.

Once the AMP has been approved by Firstgas' Chief Executive Officer and Firstgas' Board of Directors, work plans and budgets are provided to GSNZ Midco. Where expenditure is allowed for, but projects are not specifically stated in the budget such as remedial RIR work, senior management from GSNZ Midco can approve expenditure within the budget and to their level of delegated authority.

The project was approved by the Firstgas board December 2020



Completion of works:

The project scope was completed by GSNZ Midco. The scope detailed the design, technical requirements, and a risk assessment.

Detailed design works were carried out by Worley Parson. Worley Parson was selected as part of an RFP process between two suppliers.

Energy Works Limited (Energy Works) was selected to complete the civil and mechanical works required. Energy Works is a preferred supplier for Firstgas for civil and mechanical works. The GSNZ Midco project manager worked closely with Energy works and the developer to set timing and minimise costs. All civil works were to be completed by May 2022.

Energy Works provided a schedule of activities to execute the work required and communicated progress daily. GSNZ Midco personnel attended site to witness points of active as outlined in the scope of works.

Once the project began, project costs were paid and tracked within the financial system after being approved by the project manager. Project costs and progress were monitored by the GSNZ Midco project team and reported to the Chief Operating Officer for GSNZ Midco and the Firstgas executive team monthly.

Market testing:

The primary driver of this project was customer driven. These types of projects are often completed to meet the customers timing. With this project, the GSNZ Midco team would liaise regularly with the customer to ensure we could meet their timing.

The timing requirements influenced the procurement of services. GSNZ Midco elected to procure the civil and remedial works via the sole sourcing option permitted under Firstgas' procurement policy. This option was taken rather than a more extensive tender process as the compressed timing to meet the developers needs did not allow for an extensive procurement process.

Sole sourcing means we select contractors and consultants from Firstgas' list of preferred suppliers for the work required. These suppliers have done extensive work for Firstgas previously and usually will have a Master Services Agreement in place that outlines terms and expectations around rates.

RFP for Detailed Design Works

The RFP was issued to two companies with experience in the technical design of similar remediation works. GSNZ Midco and Firstgas have found both firms to be very efficient and professional, providing sound advice and considered options.

Worley Parson were selected to complete the detailed design, largely due to delivering efficient outcomes at a competitive price.

Worley was approached and a quote requested in line with the scope of work. The quote provided was aligned with expected costs and Worley confirmed their availability to complete the work within the three month period specified in the scope of work.

Sole sourcing of civil and remedial works

The civil works and remedial works included:

- Earthworks, ground improvement and basecourse construction
- Perimeter fencing
- Concrete works including vehicle crossing
- Yard surfacing

Energy Works was selected to complete the civil and remedial works. Energy works is one of Firstgas' preferred suppliers for civil works. Energy Works provides specialist piping and equipment services to the industrial sector and has worked extensively on Firstgas' network completing minor to complex works.

Energy Works agreed the timing for the work. Energy Works submitted quotes for each section of the work in line with the scope of works for the project and the existing Master Services Agreement in place with Firstgas.

Outcomes:

The scope of works was completed below budget and within the timeframe required.

Example 2: Mokau Unit 2 Rewheel

Project name:	Mokau Unit 2 Compressor Rewheeling
Project date	September 2021 – due for completion June 2023
Project or Work order number:	P11337
Project expenditure (estimated)	\$0.946 million
Project cost type	Asset replacement and renewal Capex
Project managed by:	GSNZ Midco acting on behalf of Firstgas under the O&M agreement.
Subcontractors:	Solar Turbines, Carbon Control Ltd, LogiCamms (Prepare commissioning plan)

Planning:

Mokau Compression Station (CS) unit #2 was rewheeled in 2018, in conjunction with an upgrade to the Gas seal system on the compressor. This rewheel project had intended to raise the discharge pressure from the station, and required both units #1 and #2 to operate to meet full flow conditions. Due to a number of operational considerations the rewheel of #1 has never occurred so there is a considerable mismatch between current compressor curves, neither of which being optimal for current flow conditions.

Currently Mokau CS operates in a very inefficient range of the flow curve for Unit #2 (typically the unit is in stonewall as the pressure is too low and the flow too high). This causes erratic control and inefficient operation.

Currently the Mokau Compressors use the station discharge as the process variable that they control to (Discharge Pressure Control). From a pipeline operation standpoint of the Maui Pipeline it is most suitable to have a suction pressure controller introduced at the Mokau CS to automatically control Taranaki Target Pressure (TTP).

The current Mokau CS rewheeling strategy conducted by GSNZ Midco is to create three separate projects for each Mokau CS compressor wheel that Firstgas currently own (two in service and one spare in storage). The first project will rewheel the spare wheel, once installed in unit #2 and proven in operation, the wheel which was removed from unit #2 will be rewheeled under the second project and will install this into unit #1. The third project will rewheel the wheel removed from unit #1 which will remain in storage as the spare.



The business case and costs of \$0.946 million were approved under the GSNZ Midco financial authorities and by the Acting Chief Executive Officer of Firstgas.

Completion of works:

Solar Turbines were engaged to complete the compressor restaging to improve performance at new operating site conditions, with sufficient surge margin and adequate speed margin to operate in sub-optimal conditions. Solar Turbines are based in Melbourne, and accordingly the compressor unit was sent to their base to complete the works. Solar Turbines were selected to complete the works in order to maintain the current warranty as the unit was manufactured by Solar.

LogiCamms was selected to design the commissioning plan and were the commissioning lead for site works. As a preferred supplier for design work on our transmission network LogiCamms has an existing consultancy agreement with Firstgas. LogiCamms was approached and a quote requested in line with the scope of work.

The quote provided was aligned with expected costs and LogiCamms confirmed their availability to complete the work within the timeframe specified in the scope of work. GSNZ Midco's project team met with LogiCamms to review the scope and GSNZ Midco's engineers were responsible for confirming any technical queries. The report provided by LogiCamms was reviewed by GSNZ Midco's project manager and engineers

Once the project began, project costs were paid and tracked within the financial system after being approved by the project manager. Project costs and progress were monitored by the GSNZ Midco project team and reported to the Chief Operating Officer for GSNZ Midco. Progress against projects and budgeted costs is reported to the Firstgas executive team monthly.

Market testing:

The unique and complex nature of the project required several specialist suppliers to carry out components of the rewheel project. Accordingly a considerable amount of the works were carried out with preferred suppliers with existing agreements.

Quote requested from a Sole Source supplier of the concept design

Firstgas' procurement policy allows for the selection of a supplier of services under a sole sourcing approach. The supplier must have an existing agreement with Firstgas that was the outcome of a competitive process. Often a sole source approach is used where timing of delivery is important.

Sole sourcing means we select contractors and consultants from Firstgas' list of preferred suppliers for the work required. These suppliers have done extensive work for Firstgas previously and usually will have a Master Services Agreement in place that outlines terms and expectations around rates.

Outcomes:

The project is currently on-time and under the budgeted cost. Due to be completed mid 2023. The completion of the project will coincide with several other projects which will be completed with a scheduled major outage of Mokau CS.

6. Map of anticipated network expenditure and constraints

Section 2.3.13 of the ID Determination requires that:

within 6 months after the end of each disclosure year, where a GTB has had related party transactions involving a procurement from a related party during that disclosure year, the GTB must publicly disclose a map of its gas transmission service territory, which includes-

- (1) subject to clause 2.3.15, a brief explanatory description of the 10 largest forecast operational expenditure projects in the AMP planning period and the likely timing, value and location of the projects;*
- (2) subject to clause 2.3.15¹⁴, a brief explanatory description of the 10 largest forecast capital expenditure projects in the AMP planning period and the likely timing, value and location of the projects;*
- (3) subject to clause 2.3.16, a brief explanatory description of possible future network or equipment constraints and their location, where the responses to the constraints would involve one of the 10 largest future operational expenditure projects in the AMP planning period; and*
- (4) subject to clause 2.3.16, a brief explanatory description of possible future network or equipment constraints and their location, where the responses to the constraints would involve one of the 10 largest future capital expenditure projects in the AMP planning period.*

Section 2.3.14 further specifies the map must:

- (1) identify whether the forecast or possible operational expenditure or capital expenditure is-*
 - (a) already subject to a contract and, if so, whether that contract is with a related party;*
 - (b) forecast to require the supply of assets or goods or services by a related party;*
 - or*
 - (c) currently not indicated for supply by a related party; and*
- (2) be consistent with the AMP information specified in-*
 - (a) clause 14.4.4 of Attachment A on network or equipment constraints; and*
 - (b) clause 14.6 of Attachment A on the network development programme.*

The largest Opex activities and Capex projects in the AMP planning period are provided below. Further information is available in the annual AMP or AMP update available on the Firstgas website.¹⁵

Largest Opex activities

Figure 3 sets out the location of the largest ten activities in the AMP planning period (FY2023-FY2032), with greater detail in Table 3. All network Opex, except for the purchase of compressor fuel, is forecast to be completed by our related party, Gas Services New Zealand Midco Limited (GSNZ Midco) under the Operations and Management (O&M) agreement between Firstgas and GSNZ Midco. This agreement will be reviewed by September 2022. GSNZ Midco manages a number of third-party contractors to deliver this

¹⁴ Sections 2.3.15 and 2.3.16 of the ID Determination recognises that there may be less than 10 forecast Opex or Capex projects in the AMP planning period. If this occurs, all projects must be included.

¹⁵ <https://firstgas.co.nz/about-us/regulatory/transmission/>

network Opex. All activities are network related works, and none are a result of future network or equipment constraints.

Figure 3: Largest Opex projects in the AMP planning period (2023-2032)

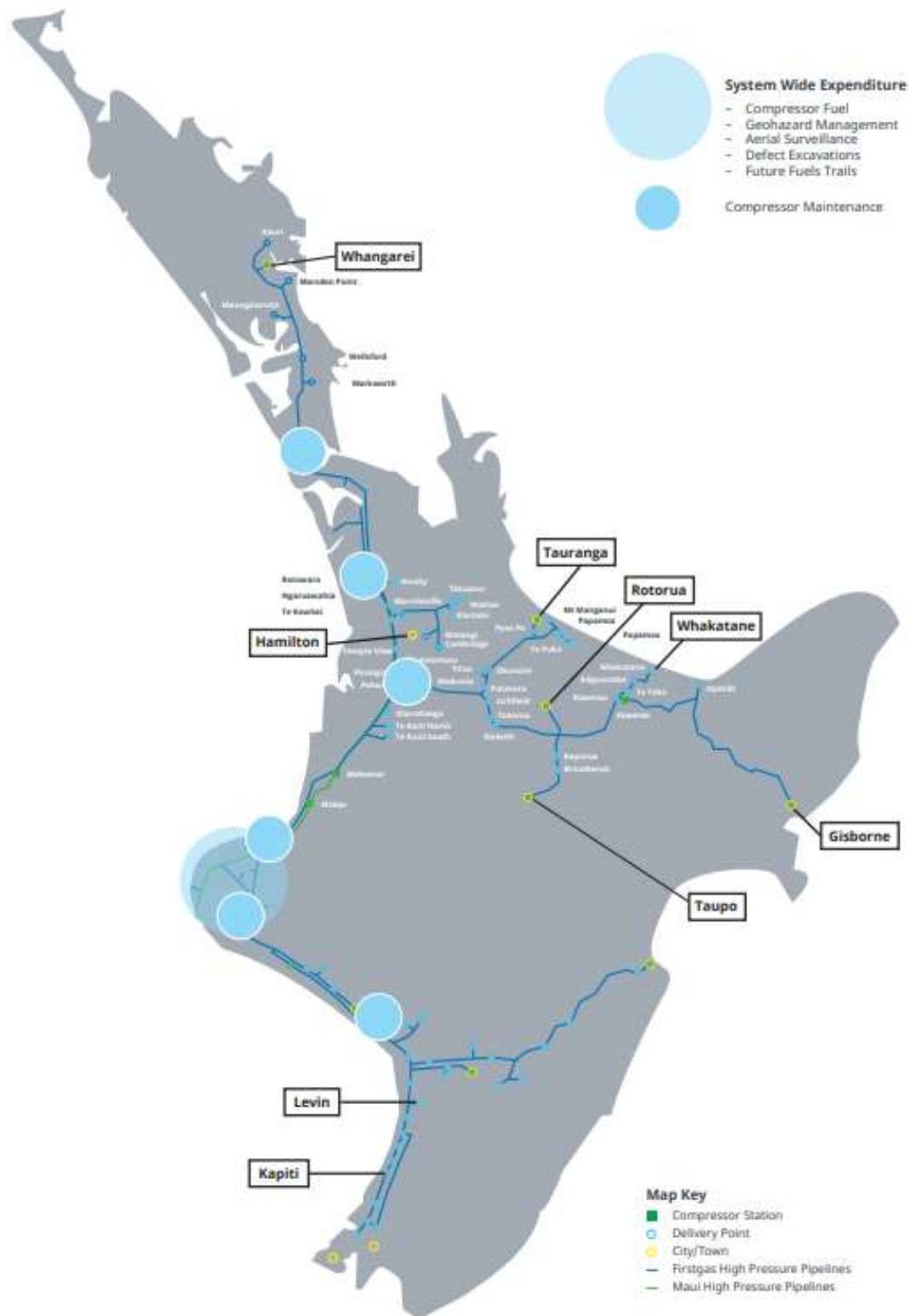


Table 3: Description of the largest Opex projects in the AMP planning period

Activity	Description	Region	Cost (constant \$)	Period
Compressor fuel costs	We are facing an increased cost for our ongoing compressor fuel requirements. The compression strategy may offset some of these costs in the future. When the opportunity presents itself, we will look to source low-carbon compressor fuel gas in the future.	System wide	\$87.8 million	FY2023 – FY2032
Aerial Surveillance	Aerial surveillance is a key activity to detect changes in environment through which pipelines traverse. It is also used as a method to monitor any third-party interference along the easement corridor. Helicopters are now the preferred flight method and incur higher running costs	System wide	\$13.2 million	FY2023 – FY2032
Kapuni Gas Treatment Plant (KGTP) maintenance	Ongoing Maintenance requirements to ensure reliability. KGTP compressors are strategic for the 100 and 200 pipelines	Taranaki	\$12.5 million	FY2023 – FY2032
Geohazard management	Ongoing maintenance costs associated with identifying, assessing, and monitoring geotechnical issues on the transmission system	System wide	\$9.4 million	FY2023 – FY2032
Defect excavation	Pipeline coatings are the primary protection against corrosion. Each year several defects are excavated to carry out coating remediations	System wide	\$5.2 million	FY2023 – FY2032
Rotowaro Compressor Station maintenance	Ongoing Maintenance requirements to ensure reliability. Rotowaro compressor station is a strategic compressor station for the northern system.	Waikato region	\$5.2 million	FY2023 – FY2032
Future fuels Trials	To take the first steps towards replacing natural gas with hydrogen by utilising the existing gas transmission and distribution assets. It must be demonstrated that there are no adverse effects to gas consumers or gas transportation assets. This allocation is included in the forecast to support these trials	System wide	\$0.8 million	FY2023 – FY2032
Mokau Compressor Station maintenance	Ongoing maintenance is required on our assets to ensure reliability. Mokau compressor station is a strategic compressor site to the 400 pipeline	Northern Taranaki	\$3.1 million	FY2023 – FY2032
Henderson Compressor Station	Ongoing maintenance is required on our assets to ensure reliability.	North Auckland	\$2.7 million	FY2023 – FY2032
Kaitoke Compressor Station	Ongoing maintenance is required on our assets to ensure reliability. Kaitoke compressor station is a strategic site for the 100 and 600	Manawatu/ Whanganui region	\$2.1 million	FY2023 – FY2032



	pipelines, providing additional compression for the southern section of the transmission system			
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Largest Capex projects

The high-level heat map provided in Figure 4 shows the largest Capex projects we have planned for the next ten years (FY2023 to FY2032) with greater detail in Table 4. The identified projects are all network Capex. Network Capex is forecast to be completed by our related party, Gas Services New Zealand Midco Limited (GSNZ Midco) under an operations and management (O&M) agreement between Firstgas and GSNZ Midco. This O&M agreement was entered into with the change in ownership of the transmission business in 2016 and will be reviewed before September 2022. GSNZ MIDCO manages several third-party contractors to deliver this network Capex.

Table 4 depicts our anticipated significant planned expenditure during the planning period. It is a snapshot in time, with the information we have available, and may change. As we progress into the ten-year plan, we will develop the activities according to our processes to develop more accurate forecasts and delivery schedules. Where the identified projects include some reinforcement work, there may be possible future network or equipment constraints.

Figure 4: Largest Capex projects in the AMP planning period (2023-2032)

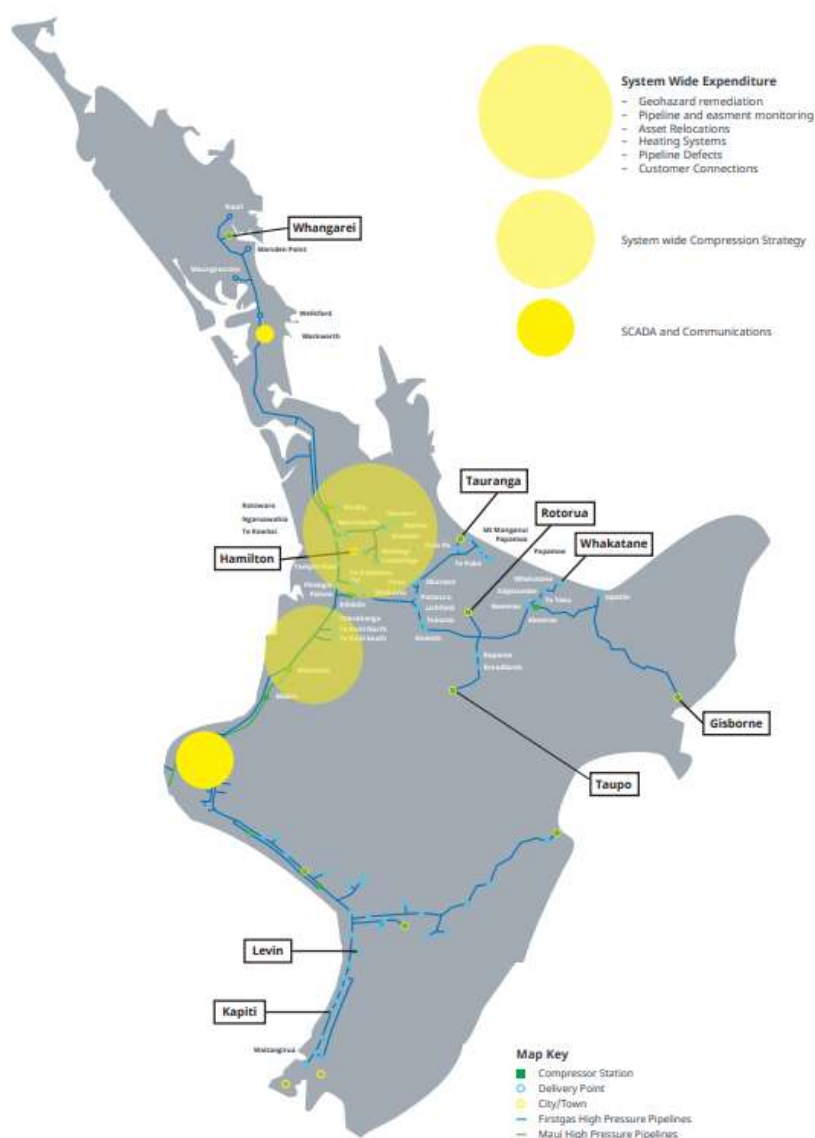


Table 4: Description of the largest Capex projects in the AMP planning period

Project	Description	Region	Cost (constant \$)	Period
Geohazards risk remediation	Risk remediation projects resulting from geotechnical hazards	System wide	\$47 million	FY2023-FY2032
Compression strategy	Upgrade and standardisation of ageing fleet of compressors	Strategic compression sites	\$32 million	FY2023-FY2026
Pipeline and easement condition monitoring	Pipeline pigging operations and easement UAV surveillance	System wide	\$31 million	FY2023-FY2032
Asset relocations	Relocation of Infrastructure	System wide	\$21 million	FY2023-FY2032
Heating systems	Cost associated with overhaul and replacement of Water bath heaters	System wide	\$11 million	FY2023-FY2032
Pipeline defects	Forecast cost to effect repairs associated with pipeline defects identified through Inline inspections or other condition monitoring	System wide	\$12 million	FY2023-FY2032
Customer connections	Supporting connecting new customers	System wide	\$9 million	FY2023-FY2032
SCADA and Communications	Upgrade and replacement of SCADA master server	North Taranaki	\$10 million	FY2022-FY2024



Independent Appraiser's Report

To the Directors of First Gas Limited and the Commerce Commission

Independent Appraiser Report on Related Party Transactions Pursuant to Gas Transmission Information Disclosure Determination 2012

Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance of First Gas Limited (the 'Company') with the related party requirements, as set out in the Gas Transmission Information Disclosure Determination 2012 amended as of 3 April 2018 (the 'Information Disclosure Determination') for the disclosure year ended 30 September 2022 where we are required to report on:

- whether the Company's basis for valuation of related party transactions ('valuation of related party transactions'), has complied, in all material respects, with clause 2.3.6 of the Information Disclosure Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Gas Transmission Services Input Methodologies Determination 2012 ('the Input Methodologies Determination'); and
- whether the steps taken by the Company, as specified under the "*Summary of steps and analysis undertaken by the Company to test compliance*" are considered to be, in all material respects, reasonable in the circumstances.

In our opinion:

- the basis for valuation of related party transactions for the disclosure year ended 30 September 2022 complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination; and
- the steps undertaken by the Company, as specified under the '*Summary of steps and analysis undertaken by the Company to demonstrate compliance*' are considered to be, in all material respects, reasonable in the circumstances.

Basis for Opinion

We have conducted our engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements* ("SAE 3100 (Revised)"), issued by the New Zealand Auditing and Assurance Standards Board. An engagement conducted in accordance with SAE (NZ) 3100 (Revised) requires that we comply with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach

Materiality

Our assurance engagement is designed to obtain reasonable assurance about the Company's qualitative and quantitative compliance, in all material respects, with the Information Disclosure Determination, as amended and the Input Methodologies Determination.

Quantitative materiality level was determined as 2% of total related party transactions. Qualitative factors were also considered when assessing the arm's length valuation rules on related party transactions.

The scope of our assurance engagement was influenced by our application of materiality.



Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our assurance engagement, the nature, timing and extent of our assurance procedures and to evaluate the effect of misstatements, both individually and in aggregate on the related party information as a whole.

Key assumptions we made in carrying out our procedures

In carrying out our procedures as the independent appraiser for the disclosure year ended 30 September 2022, we have relied on the Company's internal control environment relating to the identification of related party transactions and the valuation of related party transactions, that we understood during our audit of the First Gas Group financial statements for the year ended 30 September 2022.

How we sampled the Company's related party transactions

We obtained the Company's assessment of their compliance with the relevant related party valuation requirements in the Information Disclosure Determination and Input Methodologies Determination.

We selected related party transaction flows 1 (Operations and Maintenance) and 2 (Secondment and business support income) on the basis of materiality and assessed the supporting information provided by the Company to demonstrate the independent and objective measure used for those transactions and services, to determine whether it has been valued in accordance with the related party valuation requirements in the Information Disclosure Determination and the Input Methodologies Determination.

Steps and analysis undertaken in testing compliance

Step 1) Identifying related party relationships and transactions

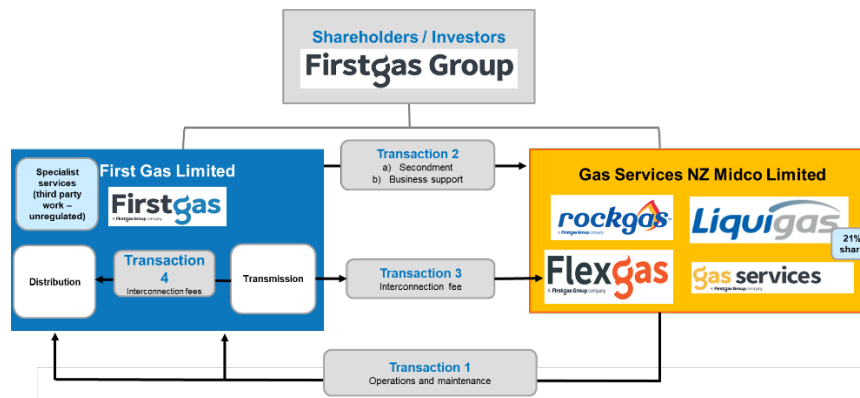
Summary of steps undertaken by the Company to demonstrate compliance

The Company identified all related party relationships and transaction flows in accordance with the Information Disclosure Determination and disclosed these in Gas transmission services: Appendix A Information disclosure for related parties as prepared and published under the Information Disclosure Determination.

In disclosure year 2022, Firstgas (transmission):

- Procured operations and maintenance (O&M) services from its related party, Gas Services New Zealand (Midco) Limited (GSNZ Midco) under an Operations & Maintenance Agreement – Transaction 1 \$62.7m.
- Provided unregulated services, including seconded staff and business support services to GSNZ Midco under a Corporate Functions and Secondment Services Agreement (CFSA) – Transaction 2 \$34.9m.
- Supplied interconnection services to Flexgas and Firstgas (distribution) – Transaction 3 & 4 \$0.2m.

A summary of the related party relationships and transaction flows is shown below:



Our procedures undertaken

We have tested the completeness and accuracy of the related party relationships and transactions by:

- Agreeing the disclosures within Schedule 5(b) to the audited accounting records for the year ended 30 September 2022, investigating any differences and determining whether any such differences are justified.
- Applying our understanding of the business structure against the related party definition in Input Methodologies Determination clause 1.1.4(2) to assess management's identification of any "unregulated parts" of the entity.

Step 2) Outlining the relationship with GSNZ Midco and the intent behind the key related party contracts

Summary of steps undertaken by the Company to demonstrate compliance

GSNZ Midco and Firstgas are part of the wider Firstgas Group and have the same ultimate shareholders. GSNZ Midco owns Gas Services, a contracting company providing operations and maintenance services. All such services are provided under an Operations & Maintenance Agreement (O&M Agreement).

Under the terms of the agreement, GSNZ Midco manages the operation of the assets, carries out an agreed Capital and Maintenance works programme, responds to incidents and emergencies, and provides system operations and network support services to Firstgas. In the 2022 disclosure year, GSNZ Midco provided 94% of the Firstgas (transmission) total Capex and 53% of all Operating Expenditure (Opex) under the terms of the agreement.

Part of the policy intent of the new related party rules is to address concerns that related parties may be inefficient which may cause the Company to overcharge consumers. Firstgas notes that the intent of the O&M Agreement was to allow Firstgas to access a broader range of experience and capability for operating their gas pipeline businesses and was originally negotiated on an arm's length basis with an independent party.

In addition, First Gas provides business support services to support the operations of GSNZ Midco (and its subsidiaries Flexgas and Rockgas) and second staff to GSNZ Midco to undertake O&M services. These services are provided under a Corporate Functions and Secondment Services Agreement (the CFSA). The provision of the corporate function and secondment services is to assist GSNZ Midco with the provision of the O&M services outlined above. The shared service model allows the group to benefit from economies of scale and obtain benefits from increased staff utilisation and experience across the group.



Our procedures undertaken

The background information provided by Firstgas is in line with our understanding of the intent behind the group structure and agreements entered between Firstgas and GSNZ Midco.

- We obtained the O&M Agreement and the CSFA and noted that the agreements were both signed dated 17 December 2019. The agreements were effective for the entire disclosure period and terms are consistent with the understanding obtained from management.
- We have reviewed board and committee meeting minutes noting appropriate review, discussion and approval of budgets, business plans and asset management plans.
- We note from our procedures performed that GSNZ carried out an agreed Capital and Maintenance works programme resulting in 94% of total expenditure on assets and 53% of the total operating expenditure being with GSNZ.

Step 3) Assessing compliance with the definition of an arm's length transaction (in accordance with ISA (NZ) 550)

From 1 April 2018, a principles-based approach to the valuation of related party transactions is being applied. All related party transactions must meet the arm's length valuation rule for ID disclosures, based on the following definition of arm's length transaction from the International Standard for Auditing (NZ) 550: *"a transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests".*

Summary of steps undertaken by the Company to demonstrate compliance

To demonstrate compliance with the definition of arm's length, including the 'willing buyer and willing seller' criteria, the company engaged an independent third party to perform benchmarking of the margins applied to the costs of O&M services provided by GSNZ Midco to Firstgas, the margins applied to the services performed by Firstgas under the CFSA and the total service costs incurred by the Company.

The purpose of the benchmarking was to test that the margins applied to related party transactions during disclosure year 2022 were consistent with margins observed in comparable arm's length transactions in competitive markets. Due to the limited competition and available information in NZ, the margin benchmarking compared services supplied by GSNZ Midco to companies providing similar services across the United Kingdom, United States, Australia, and New Zealand. Total costs were compared to similar companies in Australia. Benchmarking against comparable businesses demonstrates that the costs of Firstgas' underlying services are comparable with arm's length transactions.

Firstgas considers that the related party structure is a benefit to customers, as it allows the Company to provide reliable and specialised services at a cost that is no more than would be incurred from a third party. Additionally, by providing corporate functions to the unregulated companies within the wider Firstgas Group at an arm's length rate, the shared services model allows corporate activity to be streamlined, reducing the Group's overall costs to serve and encourages efficiency. The Company notes that lower costs to serve are in the longer-term interests of consumers.

Our procedures undertaken

We have considered the following in our assessment over the arm's length definition:

- We have considered the business and group structure and reviewed the key terms and conditions within the O&M agreement and the CFSA with GSNZ Midco. No non-standard terms were identified in the arrangements.
- We obtained the margin and benchmarking reports prepared by management's experts. Based on the evidence provided, the margin's applied are considered consistent with comparable entities indicating that the parties are acting consistent with the principle of willing buyer and willing seller who are unrelated and acting in their own best interests.

Step 4) Obtaining independent and objective measures to support the arm's length principle

Summary of steps undertaken by the Company to demonstrate compliance

As outlined in step 3 above, the company utilised an independent third party to perform benchmarking and comparable pricing to ensure that the value of goods or services acquired from a related party are not greater than if it had been acquired under the terms of an arm's length transaction with an unrelated party, and the supply to a related party are not valued at an amount less than if it had been sold or supplied under the terms of an arm's-length transaction with an unrelated party.

A summary of benchmarking and comparable pricing exercise undertaken for each related party transaction flow is summarised below:

RPT Category	Description	Arm's-length valuation approach	Test for Independent and objective measures
Transaction 1	Firstgas acquires operations and maintenance services from GSNZ Midco.	Comparable pricing by applying a margin to the cost of goods sold (i.e., a cost-plus approach) results in prices charged that are substantially the same as the prices paid for similar services by peers.	For FY2022, Firstgas have: <ul style="list-style-type: none"> • Used an independent consultant to advise of the range of applicable margins • Applied EBIT mean margins within the range of applicable margins • Used margin benchmarking to confirm that costs are comparable with peers.
Transaction 2	Firstgas supplies corporate function services and secondment of staff to GSNZ Midco. Rockgas and Flexgas, as subsidiaries of GSNZ Midco, also receive corporate function services from Firstgas.		
Transaction 3	Firstgas Transmission supplies interconnection services to Flexgas.	Comparable pricing using the rates paid via standard connections agreement for interconnection to Firstgas gas transmission pipeline to demonstrate that terms and conditions and pricing approach are consistent across consumers,	Firstgas have compared the rates paid by Firstgas and its related parties under their connection agreement to independent third parties using market reference rates. Confirmed that the value at which the services are provided to Firstgas Distribution and Flexgas, i.e., the interconnection rates, are on the same basis as that used for all other unrelated interconnected parties entering such agreements in the same period.
Transaction 4	Firstgas Transmission supplies interconnection services to Firstgas Distribution. Firstgas Distribution purchases interconnection services from Firstgas Transmission.		



Our procedures undertaken

Our procedures were tailored based on the identified related party transaction flows, including consideration of the materiality of each transaction flow, and aligned to the method management had applied to evidence that the related party transactions are at an arms' length value. We have addressed our procedures below:

- Obtained and understood the O&M agreement and the CFSA with GSNZ Midco.
- Tested compliance with the procurement policy/process as disclosed in Appendix A to the Information Disclosure Schedules.
- Obtained the margin and benchmarking reports prepared by management's experts.
- Confirmed that the management's expert qualification and experience is adequate to perform the benchmarking.
- Confirmed that the management expert is independent from Firstgas.
- Considered the appropriateness of the comparable entities used within the benchmarking
- Verified on a sample basis, that the margins applied to each distinct services provided and/or received are in line with the independent expert margins obtained.
- Recalculated the margins determined by the independent expert based on external data.
- Benchmarked costs against comparable businesses to confirm that total costs are consistent with an arm's length transaction.

Director's Responsibilities

The Directors are responsible on behalf of the Company for:

- the identification of related-parties and related-party transactions during the disclosure year ended 30 September 2022;
- compliance with the Information Disclosure Determination and the valuation of related party transactions in accordance with the Information Disclosure Determination and the Input Methodologies Determination; and
- the identification of risks that threaten such compliance and controls which will mitigate those risks and monitor ongoing compliance.

Our Independence and Quality Management

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Company. Our firm carries out other services for the Company in the areas of Gas Transmission Services: Compliance with the wash-up amount calculation and quality standards compliance statement and Disclosure Information, Gas Distribution Services: Default price-quality path compliance statement and Disclosure Information, including as independent appraiser of related party transactions. Additionally, we have performed agreed upon procedures on distribution pricing and corporate models, and modelling services for the Future Gas Working Group, of which First Gas is a member. The provision of these other services has not impaired our independence.



Assurance Practitioner's responsibilities

Our responsibility is to prepare an independent appraiser report in accordance with clause 2.8.4 of the Information Disclosure Determination. In preparing the report we are required to express an opinion on whether, for the disclosure year ended 30 September 2022, the basis for valuation of related party transactions complies, in all material respects, with the with clause 2.3.6 of the Information Disclosure Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Input Methodologies Determination, and whether the steps taken by the Company to test whether it complies, are considered to be, in all material respects, reasonable in the circumstances. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

An assurance engagement to report on the Company's compliance with clause 2.3.6 of the Information Disclosure Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Input Methodologies Determination involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with clause 2.3.6 of the Information Disclosure Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Input Methodologies Determination will continue in the future.

Use of Report

This report has been prepared for the Directors and the Commerce Commission in accordance with clause 2.8.4 of the Information Disclosure Determination and is provided solely to assist you in establishing that compliance requirements have been met

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, as a body, and the Commerce Commission or for any purpose other than that for which it was prepared.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

Chartered Accountants
23 February 2023

Christchurch, New Zealand



Independent Assurance Report

To the Directors of First Gas Limited and the Commerce Commission

Assurance report pursuant to Gas Transmission Information Disclosure Determination 2012

Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance of First Gas Limited (the "Company") with the Gas Transmission Information Disclosure Determination 2012 amended as of 3 April 2018 (the "Information Disclosure Determination") for the disclosure year ended 30 September 2022 where we are required to opine on:

- whether the Company has complied, in all material respects, with the Information Disclosure Determination, in preparing the information disclosed under schedules 1 to 4, 5a to 5g, 6a and 6b, 7, the related party transactions information disclosed in Appendix A, and the explanatory notes disclosed in boxes 1 to 11 in Schedule 14 ('the Disclosure Information'); and
- whether the Company's basis for valuation of related party transactions ('valuation of related party transactions'), has complied, in all material respects, with clause 2.3.6 of the Information Disclosure Determination and clauses 2.2.11(1)(g) and 2.2.11(5) of the Gas Transmission Services Input Methodologies Determination 2012 ('the Input Methodologies Determination').

In our opinion, in all material respects:

- as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Disclosure Information have been kept by the Company;
- as far as appears from an examination, the information used in the preparation of the Disclosure Information has been properly extracted from the Company's accounting and other records and has been sourced, where appropriate, from the Company's financial and non-financial systems;
- the Disclosure Information complies with the Information Disclosure Determination; and
- the basis for valuation of related party transactions complies with the Information Disclosure Determination and the Input Methodologies Determination.

Basis for Opinion

We have conducted our engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements* ("SAE 3100 (Revised)"), issued by the New Zealand Auditing and Assurance Standards Board. An engagement conducted in accordance with SAE (NZ) 3100 (Revised) requires that we comply with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Our Assurance Approach Overview

Our assurance engagement is designed to obtain reasonable assurance about the Company's compliance, in all material respects, with the Information Disclosure Determination and Input Methodologies Determination.

Quantitative materiality levels are determined for testing purposes within individual schedules included in the Disclosure Information based on the nature of the information set out in the schedules. These thresholds are determined based on our assessment of errors that could have a material impact on key measures within the Disclosure Information:

- Financial information – any impact resulting in +/-1% of the Return of Investment ('ROI')
- Related party transactions – 2% of total related party transactions.

When assessing overall material compliance with the Information Disclosure Determination, qualitative factors are considered such as the combined impact on ROI and other key measures as well as assessing the arm's length valuation rules on related party transactions, which may impact on users' assessment on whether the purpose of Part 4 of the Commerce Act 1986 has been met.

We have determined that there are three key assurance matters:

- Regulatory Asset Base
- Cost and Asset Allocation
- Related Party Transactions

Materiality

The scope of our assurance engagement was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our assurance engagement, the nature, timing and extent of our assurance procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Disclosure Information as a whole.

Scope

Our procedures included analytical procedures, evaluating the appropriateness of assumptions used and whether they have been consistently applied, agreement of the Disclosure Information to, or reconciling with, source systems and underlying records, an assessment of the significant judgements made by the Company in the preparation of the Disclosure Information and valuing the related party transactions, and evaluation of the overall adequacy of the presentation of supporting information and explanations. These procedures have been undertaken to form an opinion as to whether the Company has complied, in all material respects, with the Information Disclosure Determination in the preparation of the Disclosure Information for the disclosure year ended 30 September 2022, and whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in carrying out the assurance engagement during the current disclosure year. These matters were addressed in the context of our assurance engagement as a whole, and in forming our opinion. We do not provide a separate opinion on these matters.

Key assurance matter	How our procedures addressed the key assurance matter
<p>Regulatory Asset Base</p> <p>The Regulatory Asset Base (RAB), as set out in Schedule 4, reflects the value of the Company's gas transmission assets. These are valued using an indexed historic cost methodology prescribed by the Information Disclosure Determination. It is a measure which is used widely and is key to measuring the Company's return on investment and therefore important when monitoring financial performance.</p> <p>The RAB inputs, as set out in the Input Methodologies Determination, are similar to those used in the measurement of fixed assets in the financial statements, however, there are a number of different requirements and complexities which require careful consideration.</p> <p>Due to the importance of the RAB within the regulatory regime, the incentives to overstate the RAB value, and complexities within the regulations, we have considered it to be a key assurance matter.</p>	<p>We obtained an understanding of the compliance requirements relevant to the RAB as set out in the Information Disclosure Determination and the Input Methodologies Determination.</p> <p>We have performed the following procedures:</p> <p>Assets commissioned</p> <ul style="list-style-type: none"> • We reconciled the assets commissioned as per the regulatory fixed asset register to the asset additions disclosed in the financial statements and investigated any material reconciling items. • We considered the nature of the assets commissioned during the period, as per the regulatory fixed asset register, to identify any specific cost or asset type exclusions, as set out in the Information Disclosure Determination, which are required to be removed from the RAB. • We tested a sample of assets commissioned during the disclosure period for appropriate asset category classification. <p>Depreciation</p> <ul style="list-style-type: none"> • We compared the standard asset lives by asset category to those set out in the Input Methodologies Determination. • For assets with no standard asset lives we assessed the reasonableness of the lives used by reference to the accounting depreciation rates used in preparing the financial statements. • We performed a reasonableness test to ensure regulatory depreciation expense is calculated in line with Input Methodologies Determination clause 2.2.5. <p>Revaluation</p> <ul style="list-style-type: none"> • We recalculated the revaluation rate set out in the Input Methodologies Determination using the relevant Consumer Price Index indices taken from the Statistics New Zealand website.

Key assurance matter	How our procedures addressed the key assurance matter
<p>Cost and Asset Allocation</p> <p>The Information Disclosure Determination relates to information concerning the supply of gas transmission services. The Company operates both transmission and distribution businesses and also provides other unregulated services.</p> <p>As set out in schedules 5d, 5e, 5f and 5g, costs and asset values that relate to gas transmission services regulated under the Information Disclosure Determination should comprise:</p> <ul style="list-style-type: none"> all of the costs directly attributable to the regulated goods or services; and an allocated portion of the costs that are not directly attributable. <p>The Input Methodologies Determination set out rules and processes for allocating costs and assets which are not directly attributable to either regulated or unregulated services. A number of screening tests apply which must be considered when deciding on the appropriate allocation method.</p> <p>The Company has applied the Accounting-Based Allocation Approach Methodology (ABAA) utilising causal and proxy cost and causal asset allocators to allocate the operating costs and asset values that are not directly attributable.</p> <p>Given the judgement involved in the application of the cost and asset allocation methodologies we consider it a key assurance matter.</p>	<ul style="list-style-type: none"> We tested the mathematical accuracy of the revaluation calculation performed by management. <p>We obtained an understanding of the Company's cost and asset allocation processes and the methodologies applied.</p> <p>Our procedures over cost and asset allocation included:</p> <ul style="list-style-type: none"> Reconciling the regulated and unregulated financial information to the Company's audited financial information. <p>Classification as directly/not directly attributable</p> <ul style="list-style-type: none"> Considering the appropriateness of the costs allocated as directly attributable, based on the nature and our understanding of the business to determine the reasonableness of the directly attributable classification. Testing a sample of operating expense transactions to ensure their classification as either directly attributable or not directly attributable costs are appropriate and in line with the Information Disclosure Determination. Inspecting the fixed asset register to identify any asset classes which based on their nature and our understanding of the business could be considered assets directly attributable to a specific business unit. Testing a sample of assets commissioned to ensure their classification as either directly attributable or not directly attributable are appropriate and in line with the Information Disclosure Determination. <p>Appropriateness of the allocators used for not directly attributable costs and assets</p> <ul style="list-style-type: none"> Considering the appropriateness of the cost and asset causal and proxy allocators used in applying the ABAA to not directly attributable costs including inspecting supporting documentation and recalculating proxy allocators.

Key assurance matter	How our procedures addressed the key assurance matter
	<ul style="list-style-type: none"> Understanding why causal relationships could not be identified in allocating some costs and ensuring appropriate disclosure has been included outlining these in Schedule 14. Recalculating the split between not directly attributable costs and asset values allocated to gas transmission services and non-gas transmission services.
<p>Related party transactions</p> <p>Disclosures over related party transactions including related party relationships, procurement policies/processes, application of these policies/processes and examples of market testing of transaction terms as required under the Information Disclosure Determination and the Input Methodologies Determination are set out in Appendix A.</p> <p>The Information Disclosure Determination and the Input Methodologies Determination require the Company to value its transactions with related parties, disclosed in Schedule 5b, in accordance with the principles-based approach to the arm's length valuation rule. This rule states that the value of goods or services acquired from a related party cannot be greater than if it had been acquired under the terms of an arm's length transaction with an unrelated party, nor may it exceed the actual cost to the related party. A sale or supply to a related party cannot be valued at an amount less than if it had been sold or supplied under the terms of an arm's-length transaction with an unrelated party.</p> <p>Arm's-length valuation, as defined in the Input Methodologies Determination, is the value at which a transaction, with the same terms and conditions, would be entered into between a willing seller and a willing buyer who are unrelated and who are acting independently of each other and pursuing their own best interests.</p> <p>The Company is required to use an objective and independent measure to demonstrate compliance with the arm's-length principle. In the absence of an active market for similar</p>	<p>We have obtained an understanding of the compliance requirements relevant to related party transactions as set out in the Information Disclosure Determination and the Input Methodologies Determination. We have ensured Schedule 5(b) and Appendix A includes all required disclosures including current procurement policies, descriptions of how they are applied in practice, representative example transactions and when and how market testing was last performed.</p> <p>We have performed the following procedures over Schedule 5(b) and Appendix A.</p> <p>Completeness and accuracy of related party relationships and transactions</p> <p>We have tested the completeness and accuracy of the related party relationships and transactions by:</p> <ul style="list-style-type: none"> Agreeing the disclosures within Schedule 5(b) to the audited accounting records for the year ended 30 September 2022, investigating any differences and determining whether any such differences are justified. Applying our understanding of the business structure against the related party definition in Input Methodologies Determination clause 1.1.4(2) to assess management's identification of any "unregulated parts" of the entity. <p>Practical application of procurement policies</p> <ul style="list-style-type: none"> Testing a sample of operating expenditure and capital expenditure transactions disclosed in Schedule 5(b) by inspecting

Key assurance matter	How our procedures addressed the key assurance matter
<p>transactions, assigning an objective arm's length value to a related party transaction is difficult and requires significant judgement.</p> <p>We have identified related party transactions at arm's-length as a key assurance matter due to the judgement involved.</p>	<p>supporting documentation to determine compliance with the disclosed procurement policy and practices.</p> <p>Arm's length valuation rule</p> <p>We obtained the Company's assessment of the available independent and objective measures used in supporting the arm's length valuation principle and performed the following procedures:</p> <ul style="list-style-type: none"> • Re-performed the calculations and agreed key inputs and assumptions to supporting documentation. • Where benchmarking or other market information was used as independent and objective measures, we assessed whether the related party transaction values fell within an acceptable range. Qualitative factors were considered in determining the appropriate range.

Director's Responsibilities

The Directors are responsible on behalf of the Company for compliance with the Information Disclosure Determination, for the identification of risks that may threaten compliance with the Information Disclosure Determination, controls that would mitigate those risks, and monitoring the Company's ongoing compliance.

Our Independence and Quality Management

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Company. Our firm carries out other services for the Company in the areas of Gas Transmission Services: Compliance with the wash-up amount calculation and quality standards compliance statement and independent appraiser of related party transactions, Gas Distribution Services: Default price-quality path compliance statement and Disclosure Information, including as independent appraiser of related party transactions. Additionally, we have performed agreed upon procedures on distribution pricing and corporate models, and modelling services for the Future Gas Working Group, of which First Gas is a member. The provision of these other services has not impaired our independence.

**Assurance Practitioner's responsibilities**

Our responsibility is to express an opinion on whether the Company has complied, in all material respects, with the Information Disclosure Determination in the preparation of the Disclosure Information for the disclosure year ended 30 September 2022 and on whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination, and report our opinion to you. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

An assurance engagement to report on the Company's compliance with the Information Disclosure Determination and the Input Methodologies Determination involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with the Information Disclosure Determination and the Input Methodologies Determination will continue in the future.

Use of Report

This report has been prepared for the Directors and the Commerce Commission in accordance with clause 2.8.1(1) of the Information Disclosure Determination and is provided solely to assist you in establishing that compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, as a body, and the Commerce Commission or for any purpose other than that for which it was prepared.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

Chartered Accountants
23 February 2023

Christchurch, New Zealand

Certification for Year-end Disclosures

Clause 2.9.3

We, Mark Adrian Ratcliffe and Fiona Ann Oliver, 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
- 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 and
- c) In respect of information concerning assets, costs and revenues valued or disclosed in accordance with clause 2.3.6 of the *Gas Transmission Information Disclosure Determination 2012* and clauses 2.2.11(1)(g) and 2.2.11(5) of the *Gas Transmission Services Input Methodologies Determination 2012*, we are satisfied that:
 - i. the costs and values of assets or goods or services acquired from a related party comply, in all material respects, with clauses 2.3.6(1) and 2.3.6(3) of the *Gas Transmission Information Disclosure Determination 2012* and clauses 2.2.11(1)(g) and 2.2.11(5)(a)-2.2.11(5)(b) of the *Gas Transmission Services Input Methodologies Determination 2012*; and
 - ii. the value of assets or goods or services sold or supplied to a related party comply, in all material respects, with clause 2.3.6(2) of the *Gas Transmission Information Disclosure Determination 2012*.



Director: Mark Adrian Ratcliffe



Director: Fiona Ann Oliver

22 February 2023

Date

22 February 2023

Date