



COMPLIANCE STATEMENT

**Gas transmission services –
Compliance with price path**

Assessment Period 1 October 2017 – 30 September 2018



Introduction

First Gas operates 2,500km of gas transmission pipelines (including the Maui pipeline), and more than 4,800km of gas distribution pipelines across the North Island. These gas infrastructure assets transport gas from Taranaki to major industrial gas users, electricity generators, businesses and homes, and transport around 20 percent of New Zealand's primary energy supply.

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

Compliance statement

This document is a Compliance Statement prepared pursuant to clauses 11.1 – 11.3 of the *Gas Transmission Services Default Price-Quality Path Determination 2017* (DPP Determination) issued by the Commerce Commission on 29 May 2017. This Compliance Statement covers the first Assessment Period from 1 October 2017 to 30 September 2018.

The following documents are provided with this compliance statement:

- Standard Transmission Fees for the Non-Maui transmission pipeline
- Director certification

Further information

For further information regarding this compliance statement, please contact:

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1. Price setting for gas transmission services

First Gas is pleased to confirm that we have set gas transmission prices to comply with the price path in clause 8.3 of the DPP Determination for the Assessment Period from 1 October 2017 to 30 September 2018.

1.1 Price path for GTBs

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

$$\text{Forecast Revenue from Prices} \leq \text{Forecast Allowable Revenue}$$

1.2 Forecast Revenue from Prices

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

Forecast Revenue from Prices is defined as:

$$\text{Forecast Revenue from Prices} = \text{sum of each price multiplied by each corresponding forecast Quantity}$$

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

First Gas transmission business

The First Gas transmission business consists of two pipeline systems – the Maui transmission pipeline and the non-Maui (ex-Vector) pipelines. Each system currently has its own pricing and its own access code – the Maui Pipeline Operating Code (MPOC) and the Vector Transmission Code (VTC).

To calculate the total Forecast Revenue from Prices from our gas transmission business, we have added together the Maui Forecast Revenue from Prices with the non-Maui pipeline Forecast Revenue from Prices.

When First Gas moves to a single gas transmission access code (anticipated for the pricing year beginning 1 October 2018), we will calculate Forecast Revenue from Prices across the entire network using the new price structure under the single code.

Maui transmission pipeline

As announced to customers on 2 August 2017, the prices for the Maui pipeline for the 2017/18 pricing year are as follows:

Tariff	Value for 2017/18
Tariff 1 (\$ per GJ.km)	0.001578
Tariff 2 (\$ per GJ)	0.072061

Quantities for 2017/18 have been determined by separately analysing the three material demand sources on the Maui Pipeline: transmission interconnections with the non-Maui system, Methanex (Bertrand Road, Faull Road and Ngatimaru Road), and Genesis Energy's Huntly Power Station.

- To forecast demand at **transmission interconnections** we have used historical growth trends for gas distribution networks, and most recent annual demand recorded at dedicated delivery points (unless there is a known step change in demand for 2017/18 or that period is known to be an anomaly from previous years, in which case averages for the previous seven years are used). We have adjusted our forecast of demand from Refining NZ due to the commissioning of the Henderson compressor station and the upgraded Marsden delivery point;
- **Methanex's** estimated demand has been based on recent plant operations, known shut down periods for the coming year, and the range of alternative supply options available to Methanex;
- **Huntly Power Station** quantities have been set based on a 7-year average, which reflects a range of hydrological and electricity demand conditions.

The forecast quantities for 2017/18 are set out in the table below. We consider that the assumptions behind these forecast quantities reasonable, as they make best use of intelligence gained from major users, while applying known growth trends for the remaining demand.

Based on these forecast quantities, the Forecast Revenue from Prices for the Maui pipeline in 2017/18 is:

Tariff	Forecast Quantity		Price	Total (\$million)
Tariff 1	16,394,056,143	GJ.km	\$ 0.001578 per GJ.km	\$25.870
Tariff 2	144,333,430	GJ	\$ 0.072061 per GJ	\$10.401
Cash-out transmission element adjustment ¹				\$0.386
Forecast Revenue from Prices				\$36.657

Non-Maui transmission pipelines

The forecast quantities for the non-Maui pipelines are set out in **Appendix 1**. The prices for the non-Maui pipeline for the 2017/18 pricing year were released on 31 August 2017 and are attached in **Appendix 2**.

Based on the prices and quantities outlined in Appendices 1 and 2, the Forecast Revenue from Prices on the non-Maui pipelines will be **\$89.622 million**.

Total Forecast Revenue from Prices

The total Forecast Revenue from Prices is **\$126.278 million**.

$$\begin{aligned}
 \text{Forecast Revenue from Prices} &= && \text{Forecast Revenue from Prices (Maui)} + \\
 &&& \text{Forecast Revenue from Prices (non-Maui)} \\
 &&& \$36.657 \text{ million} + \$89.622 \text{ million} \\
 &&& \$126.278 \text{ million}
 \end{aligned}$$

¹ Cash-outs have a transmission revenue element that is removed from Balancing Gas costs and revenues and included as part of transmission revenue.

1.3 Forecast Allowable Revenue

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

$$\text{Forecast Allowable Revenue} = \text{forecast net allowable revenue} + \text{forecast pass-through and recoverable costs} + \text{opening balance of the wash-up account}$$

where:

- forecast net allowable revenue* is the amount specified in Schedule 4;
- forecast pass-through and recoverable costs* is the sum of all the forecast Pass-through Costs and forecast Recoverable Costs, excluding any Recoverable Cost that is a *revenue wash-up draw down amount* calculated as specified in paragraph 5 of Schedule 7; and
- opening balance of the wash-up account* is the amount calculated as specified in paragraph 3 of Schedule 8.

Forecast Net Allowable Revenue

As established in schedule 4 of the DPP Determination, the Forecast Net Allowable Revenue for the Assessment Period ending 30 September 2018 is **\$121.596 million**.

Forecast Pass-through Costs and Recoverable Costs

The DPP Determination states that all forecasts of Pass-through Costs and Recoverable Costs must be reasonable.

For the year beginning 1 October 2017, First Gas has forecast the following costs:

Forecast Pass-through and Recoverable Costs	\$million
Rates and levies	\$3.695
Balancing gas costs and revenues	\$0.446
Mokau Compressor fuel gas costs	\$0.566
Total	\$4.707

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

Opening balance of the wash-up amount

As specified in paragraph 3 of Schedule 8 of the DPP Determination, the *opening wash-up account balance* for the first Assessment Period is **nil**.

Calculation of Forecast Allowable Revenue

First Gas has calculated Forecast Allowable Revenue as follows:

$$\begin{aligned} \text{Forecast Allowable Revenue} = & \text{forecast net allowable revenue} + \\ & \text{forecast pass-through and recoverable costs} + \\ & \text{opening balance of the wash-up account} \end{aligned}$$

$$\begin{aligned} \text{Forecast Allowable Revenue} = & \$121.596 \text{ million} + \$4.707 \text{ million} + \$0 \\ & \$126.303 \text{ million} \end{aligned}$$

1.4 Compliance

Based on the calculations set out in sections 1.1 and 1.2 above, First Gas will comply with the price path of the DPP Determination.

$$\begin{aligned} \text{Forecast Revenue from Prices} \leq \text{Forecast Allowable Revenue} \\ \$126.278 \text{ million} \leq \$126.303 \text{ million} \end{aligned}$$

2. Additional compliance requirements

2.1 Certification

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

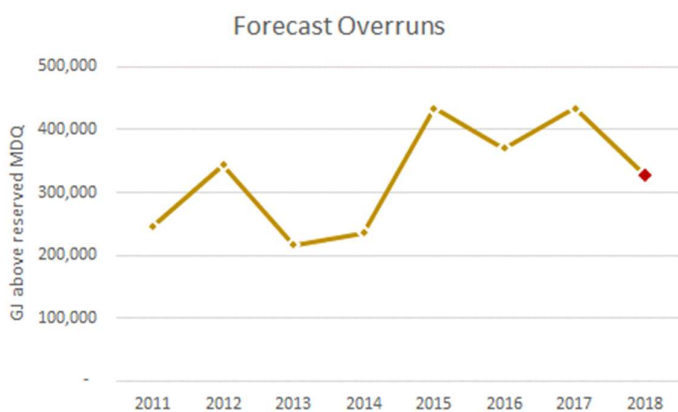
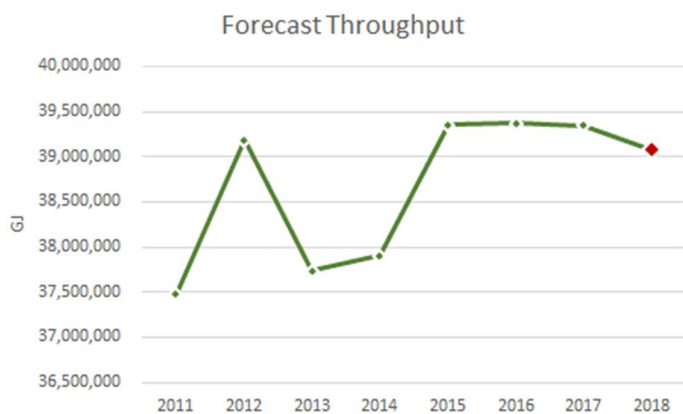
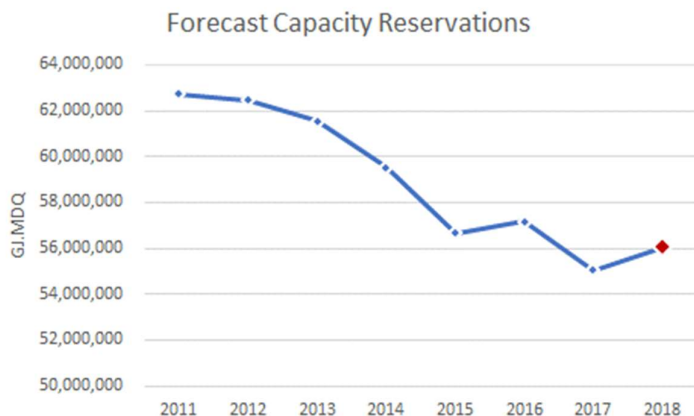
2.2 Statement date

This Compliance Statement was prepared on 29 September 2017.

Appendix 1: Forecast quantities for Non-Maui transmission system 2017/18

To set prices on the non-Maui system, we have forecast quantities for the three standard products sold under the VTC – Reserved capacity, Throughput and Overruns.

The following graphs present the total forecast quantities for each product (in red), and compare these forecasts with data from the past 7 years. In all cases, the quantity forecasts are in the range of observed outcomes (i.e. we are not forecasting the quantity of any product at the extreme of historical experience). We are expecting capacity reservations to remain low (around the same level observed in the last four years), with throughput volumes and overruns falling slightly.



Appendix 2: Standard Transmission Fees for the Non-Maui pipeline

CONFIRMED Standard Transmission Fees

Effective 1 October 2017

Capacity Reservation Fee ("CRF") = \$/GJ of Reserved Capacity/Year

Throughput Fee ("TPF") = \$/GJ delivered

All fees in this schedule are exclusive of GST

NORTH PIPELINE					
Receipt Point	Delivery Point	ID Number	Note	CRF	TPF
Rotowaro		RTW3203			
	Tuakau 2	TUK06502	(a)	340	0.05
	Harrisville 2	HAR11802	(a)	340	0.05
	Ramarama	RAM15201	(a)	340	0.05
	Drury 1	DRU15101	(a)	340	0.05
	Pukekohe	PUK04201	(a)	340	0.05
	Kingseat	KIG16801	(a)	340	0.05
	Glenbrook (Steel Mill)	GLB03401		340	0.05
	Greater Auckland	GTA03610	(b)	340	0.05
	Hunua	HUN15301	(b)	340	0.05
	Hunua (Nova)	HUN15302	(b)	340	0.05
	Hunua 3	HUN15303	(b)	340	0.05
	Alfriston	ALF15501	(b)	340	0.05
	Flat Bush	FLB15601	(b)	340	0.05
	Waitoki	WTK33901	(b)	340	0.05
	Warkworth	WRK18901		515	0.05
	Wellsford	WEL18301		515	0.05
	Maungaturoto DF	MUT19001			
	Marsden 1 (Refinery)	MSD01801			
	Marsden 2	MSD01802		515	0.05
	Whangarei	WHG07501		515	0.05
	Kauri DF	KUR33601			

CENTRAL NORTH PIPELINE					
Receipt Point	Delivery Point	ID Number	Note	CRF	TPF
Rotowaro South		RTS13201			
	Greater Hamilton	GTH11301		150	0.05
	Te Kowhai Receipt Point	TEK28701	(c)	0	0
Te Kowhai		TEK28701			
	Te Rapa Cogeneration Plant	TRC02003			
	Horotiu	HRU16101		350	0.05
	Matangi	MTG17301		350	0.05
	Cambridge	CAM17201		350	0.05
	Kiwitahi 1 (Peroxide)	KIW34201	(d)	350	0.05
	Kiwitahi 2	KIW34202	(d)	350	0.05
	Morrinsville DF	MRV16301	(e)	350	0.05
	Morrinsville	MRV16302	(e)	350	0.05
	Tatuanui DF	TAT16401		350	0.05
	Waitoa	WTA16501		350	0.05

BAY OF PLENTY PIPELINE					
Receipt Point	Delivery Point	ID Number	Note	CRF	TPF
Pokuru No 1		PKU02308			
Pokuru No 2		PKR02402			
	Kihikihi (Te Awamutu)	KIH19101		350	0.05
	Waikeria	WKE19201		350	0.05
	Lichfield DF	LCF20010		350	0.05
	Lichfield 2	LCF20011		350	0.05
	Tokoroa	TKR19701		350	0.05
	Kinleith	KIN02601	(f)	350	0.05
	Kinleith (Pulp & Paper)	KIN04310	(f)	350	0.05
	Putaruru	PTR32601		350	0.05
	Tirau DF	TIR33501	(g)	350	0.05
	Tirau	TIR33502	(g)	350	0.05
	Okoroire Springs	OKS32801		350	0.05
	Greater Tauranga	GTT07701	(h)	430	0.05
	Greater Mt Maunganui	GMM08001	(h)	430	0.05
	Te Puke	TPK33301	(h)	430	0.05
	Rangiuru	RAG33401		430	0.05
	Reporoa	RPR30801		450	0.05
	Broadlands	BRO36301		450	0.05
	Taupo	TAU07001		450	0.05
	Rotorua	ROT08101		450	0.05
	Kawerau (Tissue)	KAW04410	(i)	450	0.05
	Kawerau (Pulp & Paper)	KAW04411	(i)	450	0.05
	Kawerau	KAW04405	(i)	450	0.05
	Te Teko	TTK30601		470	0.05
	Edgecumbe DF	EGC30701	(j)	470	0.05
	Edgecumbe	EGC30702	(j)	470	0.05
	Whakatane	WHK32101		470	0.05
	Opotiki	OPO32001		490	0.05
	Gisborne	GIS07810		490	0.05

FRANKLEY ROAD PIPELINE					
Receipt Point	Delivery Point	ID Number	Note	CRF	TPF
Frankley Road-Bi		F4000439			
	Kaimiro Delivery	KAI07602			0.28
	Stratford 2	STR00521			
	Stratford 3-Bi	STR00511			
	TCC Power Station	TCC00201			
	Ballance (Ammonia-Urea) 8201	BAL08201			
	Ballance (Ammonia-Urea) 9626	BAL09626			
	Kupe Delivery	KUP37503			0.28
	Kapuni (Lactose et al)	KAP12901			0.28
	Kapuni GTP	KAP09612	(k)		0.28
Kaimiro		KAI07601			
	Frankley Road-Bi	F4000439			0.28
	Kapuni GTP	KAP09612			0.28
Norfolk		SWD37701			
	Frankley Road-Bi	F4000439			0.28
	Kapuni GTP	KAP09612			0.28

Cardiff		CAR37901			
	Frankley Road-Bi	F4000439			0.28
	Kapuni GTP	KAP09612			0.28
Stratford 3-Bi		STR00513			
	Frankley Road-Bi	F4000439			
Kupe		KUP37501			
	Frankley Road-Bi	F4000439	(k)		0.28
	Kapuni GTP	KAP09612	(k)		0.28
Kapuni GTP		KAP09612			
	Kapuni North Receipt	KAP09008		0	0
	Kapuni South Receipt	KAP09004		0	0
	KGTP Delivery	KAP00115		0	0
KGTP		KAP00114			
	Frankley Road-Bi	F4000439	(k)		
	Kapuni North Receipt	KAP09008		0	0
	Kapuni South Receipt	KAP09004		0	0

SOUTH PIPELINE					
Receipt Point	Delivery Point	ID Number	Note	CRF	TPF
Kapuni South		KAP09004			
Mokoia		MOK35802			
	Matapu	MTP20601		330	0.05
	Manaia	MNA23402	(l)	330	0.05
	Okaiawa	OKW23401	(l)	330	0.05
	Mokoia	MOK35801			
	Hawera	HWA20801	(m)	330	0.05
	Hawera (Nova)	HWA20802	(m)	330	0.05
	Patea	PTA20901		330	0.05
	Waverley	WVY23601		330	0.05
	Waitotara	WTT20301		330	0.05
	Wanganui	WAG21501		330	0.05
	Kaitoke	KTK23901		330	0.05
	Lake Alice	LAB20201		330	0.05
	Kakariki	KKI23701		330	0.05
	Marton	MTN23801		330	0.05
	Flockhouse	FLH21901	(n)	340	0.05
	Oroua Downs	ORD24701	(n)	340	0.05
	Longburn	LNB24301	(n)	340	0.05
	Kairanga	KRG24101	(n)	340	0.05
	Palmerston North	PLN24201		340	0.05
	Feilding	FLD03001	(n)	340	0.05
	Ashhurst	ASH34301	(n)	340	0.05
	Mangatainoka	MGK05401		340	0.05
	Pahiatua	PHT04901		340	0.05
	Pahiatua DF	PHT04902		340	0.05
	Dannevirke	DAN05001		350	0.05
	Takapau	TKP05101		350	0.05
	Mangaroa	MNG34001		350	0.05
	Hastings	HST05210	(o)	350	0.05

	Hastings (Nova)	HST05203	(o)	350	0.05
	Foxton	FOX22101		340	0.05
	Levin	LVN24401		340	0.05
	Kuku	KUK22401		340	0.05
	Otaki	OTA22601	(p)	420	0.05
	Te Horo	THO22701	(p)	420	0.05
	Waikanae 2	WAK22802	(p)	420	0.05
	Paraparaumu	PAU20101	(p)	420	0.05
	Pauatahanui 2	PAH23101	(p)	420	0.05
	Greater Waitangirua	GTW06910	(p)	420	0.05
	Belmont	BEL24510	(p)	420	0.05
	Tawa A	TWA35610	(p)	420	0.05
	Tawa B (Nova)	TWB24810	(p)	420	0.05

CENTRAL SOUTH PIPELINE					
Receipt Point	Delivery Point	ID Number	Note	CRF	TPF
Kapuni North		KAP09008			
Mokoia		MOK35802			
	Eltham	ELM12301		80	0.05
	Kaponga	KPA12401		80	0.05
	Stratford	STR10201		80	0.05
	Inglewood	IGW11901		80	0.05
	Waitara	WTR12001	(q)	80	0.05
	New Plymouth	NPL12101	(q)	80	0.05
	Pokuru 2	PKD02402	(r)		

TE AWAMUTU NORTH PIPELINE					
Receipt Point	Delivery Point	ID Number	Note	CRF	TPF
Pirongia Offtake		OFF31101			
	Pirongia	PIR31101		350	0.05
	Te Awamutu DF	TAC31001		350	0.05

MINOR PIPELINES					
Receipt Point	Delivery Point	ID Number	Note	CRF	TPF
Opunake	Opunake	OPK13001		80	0.05
Pungarehu Offtake	Pungarehu No 1	PGU13101		80	0.05
	Pungarehu No 2	PGH15901		80	0.05
Okato	Okato	OKA13201		80	0.05
Oakura Offtake	Oakura	OKU16701		80	0.05
Te Kuiti South Offtake	Te Kuiti South	TKS17401		350	0.05
Te Kuiti North Offtake	Te Kuiti North	TKN17001		350	0.05
Otorohanga	Otorohanga	OTO14101		350	0.05
Ngaruawahia Offtake	Ngaruawahia	NGW14501		350	0.05
Huntly Town Offtake	Huntly Town	HTL16601		350	0.05

Notes

- 1 The names of some Receipt Points and Delivery Points may differ from those in OATIS. First Gas may amend any name and/or ID Number at any time.
 - 2 Where cells are shaded grey, standard fees may not apply and/or Reserved Capacity is not available.
 - 3 For the sake of convenience not all possible Receipt Point-Delivery Point pairs on the Frankley Road pipeline are listed. Terms and conditions for gas transmission service in respect of a Receipt Point and Delivery Point not included in the table will be provided on request.
 - 4 "DF" means dairy factory.
 - 5 First Gas may, but shall not be obliged to offer an interruptible transmission service for a Receipt - Delivery Point in accordance with its published policies, as amended from time to time. Subject to notes (k) and (r), First Gas will determine the applicable fees for such interruptible service on a case by case basis.
-
- (a) Part of the South Auckland transmission pricing zone.
 - (b) Part the Auckland transmission pricing zone.
 - (c) A Shipper is deemed to have Reserved Capacity from the Rotowaro South Receipt Point to Te Kowhai equal to the aggregate of its Reserved Capacity downstream of the Te Kowhai Receipt Point.
 - (d) Part of the Kiritahi transmission pricing zone.
 - (e) Part of the Morrinsville transmission pricing zone.
 - (f) Part of the Kinleith transmission pricing zone.
 - (g) Part of the Tirau transmission pricing zone.
 - (h) Part of the Western Bay of Plenty transmission pricing zone.
 - (i) Part of the Kawerau transmission pricing zone.
 - (j) Part of the Edgecumbe transmission pricing zone.
 - (k) If an interruptible transmission service is available, the fee for Interruptible Capacity will be \$0.28 per GJ.
 - (l) Part of the Okaiawa - Manaia transmission pricing zone.
 - (m) Part of the Hawera transmission pricing zone.
 - (n) Part of the Manawatu transmission pricing zone.
 - (o) Part of the Hastings transmission pricing zone.
 - (p) Part of the Wellington transmission pricing zone.
 - (q) Part of the New Plymouth transmission pricing zone.
 - (r) If an interruptible transmission service is available, the fee for Interruptible Capacity will be \$0.37 per GJ.

Appendix 3: Director certification

We, Philippa Dunphy and Richard Krogh, being Directors of First Gas Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached Compliance Statement of First Gas Limited, and related information, prepared for the purposes of the *Gas Transmission Services Default Price Quality Path Determination 2017* has been prepared in accordance with all the relevant requirements, and all forecasts used in the calculations of Forecast Revenue from Prices and Forecast Allowable Revenue are reasonable.



Philippa Dunphy
Director



Richard Krogh
Director

29 September 2017
Date

29 September 2017
Date