



GasNet Limited

2015 Default Price-Quality Path Annual Compliance Statement Gas Distribution Network Services

For the Second Assessment Period
(1 October 2014 to 30 September 2015)

Pursuant to:
Gas Distribution Services Default Price-Quality Path Determination 2013
Issued 28 February 2013

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2015	Approved: 8/12/2015	Version: 1.0
		Last Amended: N/A	
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1.0 PRICE PATH AND QUALITY STANDARDS COMPLIANCE STATEMENTS

1.1 Price Path

GasNet has complied with its price path for the Second Assessment Period by not exceeding its Allowable Notional Revenue of \$4,526,327 by a margin of \$6,670 or 0.15%.

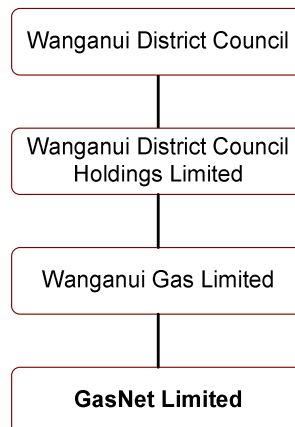
1.2 Quality Standards

GasNet has complied with both quality standards in respect to GasNet’s response to the three Emergencies that occurred during the Assessment Period, with response times at 21, nil and 9 minutes for each event respectively and therefore within the 60 minute and 180 minute thresholds.

2.0 INTRODUCTION

2.1 About GasNet

GasNet Limited is 100% owned by Wanganui Gas Limited which is itself owned by Wanganui District Council Holdings Limited, a “Council Controlled Trading Organisation”.



GasNet Limited (“GasNet”) commenced trading on 1 July 2008 after purchasing the network and metering business from Wanganui Gas Limited. Previously GasNet had been operating as an independent trading division of Wanganui Gas Limited and was responsible for managing the network and metering assets for the company.

2.2 Supply Area Coverage

GasNet’s natural gas distribution network comprises approximately 10,000 connections across 5 discrete distribution systems located within the Wanganui, Rangitikei and South Taranaki regions serving the following areas:

- Wanganui;
- Marton;
- Bulls;
- Flockhouse; and
- Waitotara.

With its origins as far back as the late 1800’s when gas was manufactured from coal, the Wanganui distribution system extends to virtually every street within the city, whilst the other 4 systems have all been constructed since the introduction of natural gas in the 1970’s and as a result, are not as extensive within the urban areas.

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2.3 Default Price-quality Path Regime

As a natural monopoly service provider, GasNet is subject to government regulation under the Commerce Act 1986. Pursuant to the requirements of this Act the Commerce Commission has set a default-price quality path (“DPP”) which applies to all suppliers of gas pipelines services as defined in the Act.

The default price-quality path requirements are set out in the Gas Distribution Services Default Price-Quality Path Determination 2013 (“DPP Determination”).

2.4 Annual Compliance Statement

This Annual Compliance Statement has been prepared in accordance with the DPP Determination to demonstrate GasNet’s compliance or otherwise, with the requirements of the determination and covers the 12 month period from 1 October 2014 to 30 September 2015.

This statement has been prepared on x November 2015.

3.0 ALLOWABLE NOTIONAL REVENUE

In accordance with Equation 3 of Schedule 4 of the DPP Determination the Allowable Notional Revenue for the Pricing Period ending in 2015 (ANR₂₀₁₅) is equal to:

$$ANR_{2015} = (\sum_i P_{i,2014} \times Q_{i,2013} - (K_{2014} + V_{2014}) + (ANR_{2014} - NR_{2014})) \times (1 + \Delta CPI_{2015}) \times (1 - X)$$

Where:

$\sum_i P_{i,2014} \times Q_{i,2013}$	is the revenue from all Load Groups based on the 2013 quantities and the 2014 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,180,605 for the Fixed Charges and \$2,385,618 for the Variable Charges); and
K_{2014}	is the sum of all Pass-through Costs for the Pricing Year ending in 2014 as previously disclosed and shown in Appendix 2 (\$82,359); and
V_{2014}	is the sum of all Recoverable Costs for the Pricing Year ending in 2014, as previously disclosed and shown in Appendix 2 (\$nil); and
ANR_{2014}	is the Allowable Notional Revenue for the Pricing Period ending in 2014 (ANR ₂₀₁₄) as previously disclosed and shown in Appendix 2 (\$4,647,225); and
NR_{2014}	is the Notional Revenue for the Pricing Period ending in 2014 as previously disclosed and shown in Appendix 2 (\$4,662,849); and
ΔCPI_{2015}	is the derived change in the CPI to be applied for the pricing Period ending in 2014 being equal to:

$$\begin{aligned} \Delta CPI_{2015} &= \frac{(CPI_{Jun\ 2013} + CPI_{Sep\ 2013} + CPI_{Dec\ 2013} + CPI_{Mar\ 2014})}{(CPI_{Jun\ 2012} + CPI_{Sep\ 2012} + CPI_{Dec\ 2012} + CPI_{Mar\ 2013})} - 1 \\ &= \frac{(1176 + 1187 + 1188 + 1192)}{(1168 + 1171 + 1169 + 1174)} - 1 \\ &= 0.013 \end{aligned}$$

X is the rate of change specified in Schedule 2 of the DPP Determination (0).

Therefore:

$$\begin{aligned} ANR_{2015} &= ((\$4,566,223 - (\$82,359 + 0) + (\$4,647,225 - \$4,662,849)) \times (1 + 0.013) \times (1 - 0)) \\ &= \$4,526,327 \end{aligned}$$

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4.0 PASS-THROUGH COSTS

Pass-through Costs incurred by GasNet Limited include rates on system fixed assets payable to territorial local authorities, levies payable for the Electricity and Gas Complaints Commission Scheme of which GasNet Limited is a member, and levies payable under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005.

The following table provides the breakdown of Pass-through Costs incurred by GasNet Limited for the Pricing Year ending in 2015.

Description	Timing of Payment			Total	Forecast	Variance	
	Prior to 1 October 2014		1 October 2014 to 30 September 2015			\$	%
	Cost	Time Value Adjustments	Cost				
Commerce Commission Levy	\$ -	\$ -	\$ 23,247.79	\$23,247.79	\$22,182.52	\$1,065.27	4.8%
Electricity & Gas Complaints Scheme Levy	\$ -	\$ -	\$ 3,866.76	\$ 3,866.76	\$ 3,546.37	\$ 320.39	9.0%
Local Authority Rates	\$ -	\$ -	\$ 45,229.04	\$45,229.04	\$46,253.13	-\$1,024.09	-2.2%
	\$ -	\$ -	\$ 72,343.59	\$72,343.59	\$71,982.02	\$ 361.56	0.5%

5.0 NOTIONAL REVENUE

In accordance with Clause 8.5 of the determination the Notional Revenue for the Pricing Period ending in 2015 (NR₂₀₁₅) is equal to:

$$NR_{2015} = \sum_i P_{i,2015} \times Q_{i,2013} - (K_{2015} + V_{2015})$$

Where:

$\sum_i P_{i,2015} \times Q_{i,2013}$ is the revenue from all Load Groups based on the 2013 quantities and the 2015 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,216,031 for the Fixed Charges and \$2,375,970 for the Variable Charges); and

K_{2015} is the sum of all Pass-through Costs for the Pricing Year ending in 2015 as calculated in Pass-through Costs (Section 4.0) above (\$72,344); and

V_{2015} is the sum of all Recoverable Costs for the Pricing Year ending in 2015, which is nil as GasNet incurred no such costs.

Therefore:

$$\begin{aligned} NR_{2015} &= \$2,216,031 + \$2,375,970 - (72,344 + 0) \\ &= \$4,519,657 \end{aligned}$$

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6.0 COMPLIANCE WITH THE PRICE PATH

In accordance with Clause 8.4 of the DPP Determination the Notional Revenue for the Assessment Period must not exceed the Allowable Notional Revenue for the same period:

$$ANR_{2015} \geq NR_{2015}$$

Where:

ANR₂₀₁₅ is the Allowable Notional Revenue for the Pricing Period ending in 2015 as calculated above (\$4,526,327); and

NR₂₀₁₅ is the Notional Revenue for the Pricing Period ending in 2015 as calculated above (\$4,519,657); and

Therefore:

$$\$4,526,327 > \$4,519,657$$

So the condition is satisfied

7.0 RESTRUCTURING OF PRICES

Consistent with its 2014/15 Pricing Methodology published on 30 July 2014, GasNet planned to introduce a new pricing structure from 1 October 2015 that will result in a reduction in Load Groups that are more closely aligned to that of other gas distribution network operators in New Zealand. However whilst originally planned for 1 October 2015 the implementation has been deferred a further year following further refinements in the new pricing structure. Accordingly it is now planned to introduce the new pricing structure from 1 October 2016.

With the objective of moving to the new Load Groups whilst minimising possible price shock to consumers, GasNet has retained the existing Load Groups for the 2014/15 and 2015/16 Pricing Years but varied prices for each based on the prices that will apply when the new Load Groups are introduced. The following table is an extract from the current 2015/16 Pricing Methodology that shows the transition from the existing to the proposed Load Groups.

Existing		From 1 October 2016			
Load Group	Criteria	Load Group	Criteria	Consumers (No.)	Throughput (GJ)
M6	Up to 6 scmh	G12	Up to 12 scmh	9,734	244,773
M12	>6 and ≤12 scmh				
M23	>12 and ≤23 scmh	G50	>12 and ≤50 scmh	111	43,349
M33	>23 and ≤33 scmh				
M43	>33 and ≤43 scmh				
M85	>43 and ≤85 scmh	G180	>50 and ≤180 scmh	36	87,143
M142	>85 and ≤142 scmh				
M200	>142 and ≤200 scmh	G450	>180 and ≤450 scmh	7	114,741
M300	>200 and ≤300 scmh				
M450	>300 and ≤450 scmh				
Large Sites	Individually priced with annual consumption >10TJ and/or at risk of bypass	G1000	Individually Priced	8	794,364

9,896 1,284,370

In addition to the planned migration to the new Load Groups, from 1 October 2013 GasNet ceased charging retailers for network services where a consumer's gas supply was inactive (an ICP Status Code of INACT in the Gas Registry), as shown in the following table extracted from the 2014/15 Pricing Methodology.

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ICP Status Code	Valid Connection Status	Connection Status Code	Network Fixed Daily Charges Apply
NEW	Pre-activation, service has not yet been installed	NEW	✗
READY	Gas ready to flow	GIR	✗
ACTC	Gas able to flow	GAS	✓
ACTV	Gas able to flow	GAS	✓
INACT	Gas vacant disconnect – GMS remains, supply capped or plugged	GVC	✗
	Gas vacant disconnect – GMS removed, supply capped or plugged	GVM	✗
	Gas currently not required – GMS remains, supply capped or plugged	GNC	✗
	Gas currently not required – GMS removed, supply capped or plugged	GNM	✗
	Gas maintenance disconnect – GMS remains, supply capped or plugged	GMC	✗
	Gas maintenance disconnect – GMS removed, supply capped or plugged	GMM	✗
	Gas maintenance disconnect – GMS remains, service disconnected upstream of service valve by network operator	GMU	✗
	Gas safety disconnect – GMS remains, supply capped or plugged	GSC	✗
	Gas safety disconnect – GMS removed, supply capped or plugged	GSM	✗
	Gas safety disconnect – GMS remains, service disconnected upstream of service valve by distributor	GSU	✗
INACP	Gas permanent disconnect ready for GMS removal – GMS remains, supply capped or plugged	GPC	✗
	Gas permanent disconnect ready for decommissioning – GMS removed, supply capped or plugged	GPM	✗
DECR	Service disconnected from network outside property and service abandoned	GDE	✗

In respect of the impact of these price changes on GasNet's compliance with its Default-price Quality Path the prices and quantities can and have been identified, verified and audited to ensure compliance. The quantities that are shown in the Price and Quantities Schedule in Appendix 1 are consistent with those that were disclosed for the 30 June 2014 Information Disclosure and the "Inactive" quantities for the M6, M12, M23 and M43 Load Groups have been calculated from the actual historic status change dates.

Further information on the restructuring of prices can be found within the Pricing Methodology documents published on GasNet's website (www.gasnet.co.nz/disclosures).

8.0 EMERGENCIES DURING THE ASSESSMENT PERIOD

There were three events that occurred during the Assessment Period that met the criteria as an Emergency pursuant to the DPP Determination.

The first event on 21 June 2015, involved the Fire Service and Police who were already managing the mass evacuation of properties threatened by flooding from a severe weather event at the time. Having only recently evacuated properties in the area, the decision was made as a precaution to extend the evacuated properties to include those adjacent to where gas had been smelled.

The second event on 1 July 2015, involved the loss of gas supply during a planned live gas operation by GasNet on its network which was not expected to affect gas supplies to consumers. Due to an unforeseen problem there was an unplanned interruption of gas supplies to 22 consumers. A nil response time is reported as the loss of supply was reported directly to GasNet personnel on site by an affected consumer.

The third event on 29 July 2015, involved the Fire Service at a residential property where a gas meter and service pipe had been damaged by a car.

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Date of Event	Type of Event	Emergency Criteria			Response Time
		Emergency Services Involved	Number of Supplies (ICPs) Affected	Properties Evacuated	
21 June 2015	Smell of gas in street	Fire Service & Police	Nil	6	21 minutes
1 July 2015	Unplanned outage	Nil	22	Nil	Nil
29 July 2015	Damage	Fire Service	1	Nil	9 minutes
Average Response Time					<u>10 minutes</u>

9.0 COMPLIANCE WITH THE QUALITY STANDARDS

In accordance with Clause 9.1 of the DPP Determination GasNet's Response Time to Emergencies (RTE) for the Assessment Period must be such that:

$$(i) \frac{RTE_{60}}{RTE} \geq 0.80 ; \text{ and}$$

$$(ii) \frac{RTE_{180}}{(RTE - RTE_{\text{excl}})} = 1$$

Where:

RTE	is the total number of Emergencies in the Assessment Period (total count of 3 as stated above);
RTE_{excl}	is the total number of Emergencies in the Assessment Period for which the Commission has granted an exclusion in writing, which is nil for GasNet for this Assessment Period;
RTE60	is the total number of Emergencies in the Assessment Period where GasNet's RTE was less than or equal to 60 Minutes (total count of 3 as stated above); and
RTE180	is the total number of Emergencies in the Assessment Period where GasNet's RTE was less than or equal to 180 Minutes (total count of 3 as stated above).

Therefore:

$$(i) \frac{RTE_{60}}{RTE} = \frac{3}{3} = 1 \geq 0.80 \text{ so condition is satisfied; and}$$

$$(ii) \frac{RTE_{180}}{(RTE - RTE_{\text{excl}})} = \frac{3}{(3 - 0)} = 1 \text{ so condition is satisfied.}$$

10.0 POLICIES & PROCEDURES FOR RESPONDING TO EMERGENCIES

Notifications of an emergency or event on the network are received at GasNet's offices in Cooks Street, Wanganui during business hours and at GasNet's after-hours service provider outside business hours. Information received at the time of the initial report including event

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details, date and time the call was received is recorded in the company's work management system and then a response is initiated.

All personnel involved in telephone call handling are trained to record the details of the emergency, provide the standard safety information and under no circumstance transfer a call and risk losing it

A telephone management system logs call information and is used for collection and reporting of call statistics.

During business hours the details of the emergency are provided to the designated Emergency Response Coordinator (ERC) or the Technician depending on the nature of the event. A response is initiated based on the event type and procedural requirements. Using mobile devices the responding Technicians have access to the work management system and the ability to progressively update the records adding information as actions are taken, including such details as arrival on site time, departure time and interruption to supply times.

In order to ensure the necessary date and time information has been recorded to enable GasNet to meet its obligations for reporting SAIDI and SAIFI, the attending Technician is required to complete a specific form. A check is made when a job is completed that the form has been submitted.

Outside business hours the details of the emergency are recorded by the after-hours service provider and then relayed by telephone to the designated On Call Technician with a text sent to their mobile phone as a backup and to provide verification that the details are correct. An email is sent by the after-hour's provider to senior GasNet personnel shortly after the first call was received and followed up with an email when the Technician has arrived on site, and another when he has left the site. Regular welfare checks are made to ensure their ongoing safety by contacting the Technician via mobile phone every 30 minutes.

All unplanned events and emergencies are subject to an investigation in accordance with the Company's Incident Reporting and Investigation Policy and recorded in GasNet's Risk Management software application.

All incident information is reviewed and managed by the Engineering Manager to ensure correct decisions have been made on reporting criteria including reliability, interruption classes, system condition and integrity based on company Work Instructions.

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Appendix 1 – Price and Quantities Schedule

Load Group	Fixed Charges (per day)						Variable Charges (per GJ)					
	Q ₂₀₁₂	Q ₂₀₁₃	P ₂₀₁₄	P ₂₀₁₅	P ₂₀₁₄ x Q ₂₀₁₃	P ₂₀₁₅ x Q ₂₀₁₃	Q ₂₀₁₂	Q ₂₀₁₃	P ₂₀₁₄	P ₂₀₁₅	P ₂₀₁₄ x Q ₂₀₁₃	P ₂₀₁₅ x Q ₂₀₁₃
			\$	\$	\$	\$			\$	\$	\$	\$
C12323	366	365	\$ 55,216	\$ 40,428	\$ 20,154	\$ 14,756	144,550	135,840	\$ -	\$ -	\$ -	\$ -
C12328	366	365	\$ 67,915	\$ 57,769	\$ 24,789	\$ 21,086	5,617	6,854	\$ -	\$ -	\$ -	\$ -
C12329	366	365	\$ 14,171	\$ 22,674	\$ 5,172	\$ 8,276	60,671	57,944	\$ -	\$ -	\$ -	\$ -
C12337	366	365	\$ 20,726	\$ 25,127	\$ 7,565	\$ 9,171	30,173	29,679	\$ -	\$ -	\$ -	\$ -
C14688	366	365	\$ 168,795	\$ 172,324	\$ 61,610	\$ 62,898	63,924	65,328	\$ -	\$ -	\$ -	\$ -
C14691	366	365	\$ 127,391	\$ 94,131	\$ 46,498	\$ 34,358	22,374	21,135	\$ -	\$ -	\$ -	\$ -
C16459	366	365	\$ 21,070	\$ 25,307	\$ 7,691	\$ 9,237	37,165	40,910	\$ -	\$ -	\$ -	\$ -
C17499	366	365	\$ 132,449	\$ 92,813	\$ 48,344	\$ 33,877	19,898	19,685	\$ -	\$ -	\$ -	\$ -
C26262	366	365	\$ 28,800	\$ 21,737	\$ 10,512	\$ 7,934	32,487	32,209	\$ -	\$ -	\$ -	\$ -
C26444	366	365	\$ 31,979	\$ 40,073	\$ 11,672	\$ 14,627	169,003	166,956	\$ -	\$ -	\$ -	\$ -
C26779	366	365	\$ 268,718	\$ 279,467	\$ 98,082	\$ 102,005	17,335	17,818	\$ -	\$ -	\$ -	\$ -
C31266	366	365	\$ 55,593	\$ 47,421	\$ 20,291	\$ 17,309	185,747	191,037	\$ -	\$ -	\$ -	\$ -
M12 (Active)	98,028	96,900	\$ 0,490	\$ 0,500	\$ 47,481	\$ 48,450	22,379	20,385	\$ 6,399	\$ 6,789	\$ 130,447	\$ 138,397
M12 (Inactive)	574	47	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	\$ -
M142	3,715	3,853	\$ 1,500	\$ 2,200	\$ 5,780	\$ 8,477	27,908	32,104	\$ 6,372	\$ 5,923	\$ 204,566	\$ 190,151
M200	366	698	\$ 15,000	\$ 25,000	\$ 10,470	\$ 17,450	3,446	4,829	\$ 4,626	\$ 3,356	\$ 22,340	\$ 16,207
M23 (Active)	24,808	24,813	\$ 0,700	\$ 0,700	\$ 17,369	\$ 17,369	24,489	22,951	\$ 6,596	\$ 6,889	\$ 151,385	\$ 158,110
M23 (Inactive)	434	-	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	\$ -
M33	5,398	4,927	\$ 0,700	\$ 0,700	\$ 3,449	\$ 3,449	4,674	2,544	\$ 6,761	\$ 7,080	\$ 17,201	\$ 18,013
M43 (Active)	10,387	10,560	\$ 1,500	\$ 2,200	\$ 15,840	\$ 23,232	16,877	17,626	\$ 5,980	\$ 5,821	\$ 105,403	\$ 102,600
M43 (Inactive)	562	25	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	\$ -
M450	366	365	\$ 15,000	\$ 25,000	\$ 5,475	\$ 9,125	793	582	\$ 5,077	\$ 4,683	\$ 2,956	\$ 2,727
M6 (Active)	3,495,004	3,468,830	\$ 0,490	\$ 0,500	\$ 1,699,727	\$ 1,734,415	233,666	219,108	\$ 7,084	\$ 7,128	\$ 1,552,159	\$ 1,561,800
M6 (Inactive)	118,242	109,806	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	\$ -
M85	8,918	8,423	\$ 1,500	\$ 2,200	\$ 12,635	\$ 18,531	42,442	31,989	\$ 6,226	\$ 5,876	\$ 199,161	\$ 187,965
Total	3,771,194	3,733,627			\$ 2,180,605	\$ 2,216,031	1,165,620	1,137,513			\$ 2,385,618	\$ 2,375,970

ΣP_{1,2014} x Q_{1,2013} ΣP_{1,2015} x Q_{1,2013}

ΣP_{1,2014} x Q_{1,2013} ΣP_{1,2015} x Q_{1,2013}

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Appendix 2 – Data from Previous Compliance Statements

The following supporting data, information and calculations were disclosed and published within the GasNet Limited “2014 Default Price-Quality Path Annual Compliance Statement – Gas Distribution Network Services”, a copy of which is available on GasNet’s website www.GasNet.co.nz/disclosures.

Attribute	Description	Value
K₂₀₁₄	is the sum of all Pass-through Costs for the Pricing Year ending in 2014	\$82,359
V₂₀₁₄	is the sum of all Recoverable Costs for the Pricing Year ending in 2014	\$nil
ANR₂₀₁₄	is the Allowable Notional Revenue for the Pricing Period ending in 2014 (ANR ₂₀₁₄)	\$4,647,225
NR₂₀₁₄	is the Notional Revenue for the Pricing Period ending in 2014	\$4,662,849

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Appendix 3 - Director Certification

(Pursuant to the Gas Distribution Services Default Price-Quality Path Determination 2013)

Schedule 7: Form of Directors' Certificate for Compliance Statement

We, Matthew James Doyle and Harvey George Green, being Directors of GasNet Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached compliance statement of GasNet Limited, and related information, prepared for the purposes of the Gas Distribution Services Default Price-Quality Path Determination 2013 has been prepared in accordance with all the relevant requirements.



Matthew James Doyle



Harvey George Green

8 DECEMBER 2015

Date

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Appendix 4 – Auditors Report

Independent Auditor's Report

To the directors of GasNet Limited and to the Commerce Commission

The Auditor-General is the auditor of GasNet Limited (the company). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to provide an opinion, on her behalf, on whether the Compliance Statement on pages 4 to 11 (the Compliance Statement) for the assessment period ended on 30 September 2015 complies, in all material respects, with the Gas Distribution Services Default Price-Quality Path Determination 2013 NZCC 4 (the Determination).

Directors' responsibilities for the Annual Compliance Statement

The directors of the company are responsible for the preparation of the Compliance Statement in accordance with the Determination, and for such internal control as the Directors determine is necessary to enable the preparation of a Compliance Statement that is free from material misstatement.

Auditor's qualifications

We are qualified as an auditor as defined in the Determination.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the Compliance Statement has been prepared, in all material respects, in accordance with the Determination.

Basis of opinion

We conducted our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board and the Standard on Assurance Engagements 3100: *Compliance Engagements* issued by the External Reporting Board.

These standards require that we comply with ethical requirements and plan and perform our audit to provide reasonable assurance (which is also referred to as 'audit' assurance) about whether the Compliance Statement has been prepared in all material respects in accordance with the Determination.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the Compliance Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Compliance Statement, whether due to fraud or error or non-compliance with the Determination. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the Compliance Statement in order to design audit procedures that are appropriate in the

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

In relation to the price path set out in clause 8 of the Determination, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 4 to 6 of the Compliance Statement.

In relation to the annual quality assessment formula set out in clause 9 of the Determination, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 7 to 9 of the Compliance Statement.

Our audit also included assessment of the significant estimates and judgements, if any, made by the company in the preparation of the Compliance Statement and as assessment of whether the basis of preparation has been adequately disclosed.

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

Use of this report

This independent auditor's report has been prepared for the directors of the company and for the Commerce Commission for the purpose of providing those parties with independent audit assurance about whether the Compliance Statement has been prepared, in all material respects, in accordance with the Determination. We disclaim any assumption of responsibility for any reliance on this report to any person other than the directors of the company or the Commerce Commission, or for any other purpose than that for which it was prepared.

Scope and inherent limitations

Because of the inherent limitations of an audit engagement, and the test basis of the procedures performed, it is possible that fraud, error or non-compliance may occur and not be detected.

We did not examine every transaction, adjustment or event underlying the Compliance Statement, nor do we guarantee complete accuracy of the Compliance Statement. Also we did not evaluate the security and controls over the electronic publication of the Compliance Statement.

The opinion expressed in this independent auditor's report has been formed on the above basis.

Independence

When carrying out the engagement we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

The Auditor-General, and her employees, and Audit New Zealand and its employees may deal with the company on normal terms within the ordinary course of trading activities of the company. Other than any dealings on normal terms within the ordinary course of business, in addition to this engagement, we have carried out the following engagements for the company which are compatible with those independence requirements:

- the annual audit of the company's financial statements; and

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- the audit of the company's disclosure information prepared under the Gas Distribution (Information Disclosure) Determination 2012 for the regulatory period ended 30 June 2014.

Other than the audit and these engagements we have no relationship with or interests in the company.

Opinion

In our opinion, the Annual Compliance Statement of GasNet Limited for the year ended on 30 September 2015, has been prepared, in all material respects, in accordance with the Determination.

Our audit was completed on 8 December 2015 and our opinion is expressed as at that date.

Debbie Perera
 Audit New Zealand
 On behalf of the Auditor-General
 Palmerston North, New Zealand

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