



GasNet Limited

2024 Default Price-Quality Path Annual Compliance Statement Gas Distribution Network Services

For the Second Assessment Period of the Third Regulatory Period
(1 October 2023 to 30 September 2024)

Pursuant to:
Gas Distribution Services Default Price-Quality Path Determination 2022
Issued 31 May 2022

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2024	Approved: 20/12/2024	Version: 1.0
		Last Amended: N/A	
Responsible Manager: Chief Executive		Effective From: N/A	Page 1 of 10
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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 ensuring that Notional Revenue of \$5,152,981 is less than the Allowable Notional Revenue of \$5,267,512 by a margin of \$114,531 or 2.22%.

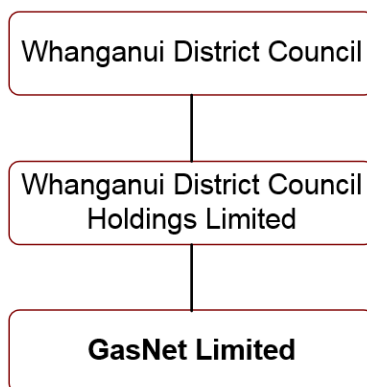
1.2 Quality Standards

GasNet has complied with both quality standards in respect to GasNet's response to the four Emergencies that occurred during the Assessment Period, with response times of between 9 and 44 minutes and therefore within the 60 minute and 180 minute thresholds.

2.0 INTRODUCTION

2.1 About GasNet

GasNet Limited ("GasNet") is an energy company under the Energy Companies Act 1992 being 100% owned by Whanganui District Council Holdings Limited, a "Council Controlled Organisation".



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.

On 30 June 2017 Wanganui Gas Limited and GasNet Limited were amalgamated to become GasNet.

2.2 Supply Area Coverage

GasNet's natural gas distribution network comprises approximately 10,000 live consumer connections across five discrete network distribution systems located within the Whanganui, Rangitikei and South Taranaki regions serving the following areas:

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

With its origins as far back as the late 1800's when gas was manufactured from coal, the Whanganui network distribution system extends to virtually every street within the city, whilst the other four 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 (Act). 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 2022 [2022] NZCC 19 ("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 DPP Determination and covers the 12 month period from 1 October 2023 to 30 September 2024.

This statement has been prepared on 31 October 2024.

3.0 ALLOWABLE NOTIONAL REVENUE

In accordance with Equation 2 of Schedule 4 of the DPP Determination the Allowable Notional Revenue for the Pricing Period ending in 2024 (ANR_{2024}) is equal to:

$$ANR_{2024} = (\sum_i P_{i,2023} \times Q_{i,2022} - (K_{2023} + V_{2023}) + (ANR_{2023} - NR_{2023})) \times (1 + \Delta CPI_{2024}) \times (1 - X)$$

Where:

$\sum_i P_{i,2023} \times Q_{i,2022}$ is the revenue from all Load Groups based on the 2022 quantities and the 2023 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,200,619 for the Fixed Charges and \$2,508,615 for the Variable Charges); and

K_{2023} is the sum of all Pass-through Costs for the Pricing Year ending in 2023 as previously disclosed and shown in Appendix 2 (\$72,768); and

V_{2023} is the sum of all Recoverable Costs for the Pricing Year ending in 2023, as previously disclosed and shown in Appendix 2 (\$nil); and

ANR_{2023} is the Allowable Notional Revenue for the Pricing Period ending in 2023 (ANR_{2023}) as previously disclosed and shown in Appendix 2 (\$4,870,997); and

NR_{2023} is the Notional Revenue for the Pricing Period ending in 2023 as previously disclosed and shown in Appendix 2 (\$4,844,949); and

ΔCPI_{2024} is the derived change in the CPI to be applied for the pricing Period ending in 2024 being equal to:

$$\Delta CPI_{2024} = \frac{(CPI_{Jun\ 2022} + CPI_{Sep\ 2022} + CPI_{Dec\ 2022} + CPI_{Mar\ 2023})}{(CPI_{Jun\ 2021} + CPI_{Sep\ 2021} + CPI_{Dec\ 2021} + CPI_{Mar\ 2022})} - 1$$

$$= 0.0710$$

X is the rate of change specified in Schedule 2 of the DPP Determination (-5.50%).

Therefore:

$$ANR_{2024} = \$5,267,512$$

4.0 PASS-THROUGH COSTS

Pass-through costs incurred by GasNet include rates on system fixed assets payable to territorial local authorities, levies payable for the Utilities Disputes Scheme (previously Electricity and Gas Complaints Commission Scheme), and levies payable under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005.

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The following table provides the breakdown of Pass-through Costs incurred by GasNet for the Pricing Year ending in 2024.

	Timing of Payment			Total
	Prior to 1 October 2023		1 October 2023 to 30 September 2024	
	Cost Incurred	Time Value Adjustments	Cost Incurred	
Commerce Commission		\$ -	\$ 42,702	\$ 42,702
Utilities Disputes Scheme	\$ -	\$ -	\$ 8,287	\$ 8,287
Rates		\$ -	\$ 56,104	\$ 56,104
	\$ -	\$ -	\$ 107,093	\$ 107,093

5.0 NOTIONAL REVENUE

In accordance with Clause 8.4 of the DPP Determination the Notional Revenue for the Pricing Period ending in 2024 (NR_{2024}) is equal to:

$$NR_{2024} = \sum_i P_{i,2024} \times Q_{i,2022} - (K_{2024} + V_{2024})$$

Where:

$\sum_i P_{i,2024} \times Q_{i,2022}$ is the revenue from all Load Groups based on the 2022 quantities and the 2024 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,629,616 for the Fixed Charges and \$2,630,458 for the Variable Charges); and

K_{2024} is the sum of all Pass-through Costs for the Pricing Year ending in 2024 as calculated in Pass-through Costs (Section 4.0) above (\$107,093); and

V_{2024} is the sum of all Recoverable Costs for the Pricing Year ending in 2024, which is nil as GasNet incurred no such costs.

Therefore:

$$NR_{2024} = \$5,152,981$$

6.0 COMPLIANCE WITH THE PRICE PATH

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

$$ANR_{2024} \geq NR_{2024}$$

Where:

ANR_{2024} is the Allowable Notional Revenue for the Pricing Period ending in 2024 as calculated above (\$5,267,512); and

NR_{2024} is the Notional Revenue for the Pricing Period ending in 2024 as calculated above (\$5,152,981); and

Therefore:

$$\$5,267,512; > \$5,152,981$$

So the condition is satisfied

7.0 EMERGENCIES DURING THE ASSESSMENT PERIOD

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

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On 9 November 2023 a contractor damaged a gas main with a posthole digger causing a rupture and gas release. The Fire Service attended to assist and the road was closed. The adjacent building was empty and an evacuation was not required.

On 27 February 2024 a contracted digger operator struck a main. Due to the amount of gas escaping, the main was isolated, affecting 13 properties, and the road was closed.

On 22 April 2024 a car crashed into gas meter and pipe. Fire and Emergency service attended due to the crashed vehicle and gas leak.

On 6 August 2024 GasNet received a report from the Fire and Emergency service that the gas service has been damaged and gas was escaping but was unsure of the cause. 5 properties were affected by the leak.

Date of Event	Type of Event	Emergency Criteria			Response Time
		Emergency Services Involved	Number of Supplies (ICP's) Affected	Properties Evacuated	
9 November 2023	Contractor damaged gas main	Fire Service	1	No	44 mins
27 February 2024	Contractor damaged gas main	N/A	13	No	13 mins
22 April 2024	Car crashed into gas meter and pipe	Fire Service	1	No	15 mins
6 August 2024	Damaged gas pipe	Fire Service	5	No	9 mins

Average Response Time 20 mins

Date source: GasNet's work management system (FieldGo & Univerus Field)

8.0 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:

$$(i) \frac{RTE60}{RTE} \geq 0.80 ; \text{ and}$$

$$(ii) \frac{RTE180}{(RTE - RTE_{excl})} = 1$$

Where:

RTE is the total number of Emergencies in the Assessment Period (total count of 4 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 4 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 4 as stated above).

Therefore:

$$(i) \frac{RTE60}{RTE} = \frac{4}{4} = 1 \geq 0.80 \text{ so condition is satisfied; and}$$

$$(ii) \frac{RTE180}{(RTE - RTE_{excl})} = \frac{4}{(4-0)} = 1 \text{ so condition is satisfied.}$$

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9.0 POLICIES & PROCEDURES FOR RESPONDING TO EMERGENCIES

Notifications of an emergency or event on any network are received at GasNet's offices in Cooks Street, Whanganui 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 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 and required data provided.

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 is received and followed up with an email when the technician has arrived on site, and another when the technician 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 ₂₀₂₂	P ₂₀₂₃	P ₂₀₂₃ × Q ₂₀₂₂	Q ₂₀₂₂	P ₂₀₂₃	P ₂₀₂₃ × Q ₂₀₂₂
G12	3,616,268	\$ 0.490	\$ 1,771,869	226,269	\$ 8.132	\$ 1,840,114
G50	43,132	\$ 1.652	\$ 71,236	40,042	\$ 7.606	\$ 304,561
G180	13,679	\$ 5.781	\$ 79,072	61,615	\$ 5.444	\$ 335,412
G450	1,460	\$ 44.042	\$ 64,302	39,020	\$ 0.731	\$ 28,528
G1000 (C12323)	365	\$ 44.047	\$ 16,077	132,871	\$ -	\$ -
G1000 (C12329)	365	\$ 21.664	\$ 7,908	53,989	\$ -	\$ -
G1000 (C12337)	365	\$ 29.397	\$ 10,730	36,177	\$ -	\$ -
G1000 (C16459)	365	\$ 18.551	\$ 6,771	2,912	\$ -	\$ -
G1000 (C26262)	365	\$ 28.537	\$ 10,416	22,693	\$ -	\$ -
G1000 (C26444)	365	\$ 17.548	\$ 6,405	109,952	\$ -	\$ -
G1000 (C26779)	365	\$ 168.532	\$ 61,514	12,675	\$ -	\$ -
G1000 (C31266)	365	\$ 60.398	\$ 22,045	263,109	\$ -	\$ -
G1000 (C31778)	365	\$ 60.745	\$ 22,172	195,645	\$ -	\$ -
G1000 (C32121)	365	\$ 137.264	\$ 50,101	6,976	\$ -	\$ -
	<u>3,678,189</u>		<u>\$ 2,200,619</u> Σ _i P _{i,2023} × Q _{i,2022}	<u>1,203,945</u>		<u>\$ 2,508,615</u> Σ _i P _{i,2023} × Q _{i,2022}

Load Group	Fixed Charges (\$ per day)			Variable Charges (\$ per GJ)		
	Q ₂₀₂₂	P ₂₀₂₄	P ₂₀₂₄ × Q ₂₀₂₂	Q ₂₀₂₂	P ₂₀₂₄	P ₂₀₂₄ × Q ₂₀₂₂
G12	3,616,268	\$ 0.585	\$ 2,117,284	226,269	\$ 8.527	\$ 1,929,488
G50	43,132	\$ 1.974	\$ 85,123	40,042	\$ 7.976	\$ 319,354
G180	13,679	\$ 6.907	\$ 94,487	61,615	\$ 5.708	\$ 351,703
G450	1,460	\$ 52.628	\$ 76,837	39,020	\$ 0.767	\$ 29,913
G1000 (C12323)	365	\$ 52.633	\$ 19,211	132,871	\$ -	\$ -
G1000 (C12329)	365	\$ 25.888	\$ 9,449	53,989	\$ -	\$ -
G1000 (C12337)	365	\$ 35.128	\$ 12,822	36,177	\$ -	\$ -
G1000 (C16459)	365	\$ 22.167	\$ 8,091	2,912	\$ -	\$ -
G1000 (C26262)	365	\$ 34.100	\$ 12,447	22,693	\$ -	\$ -
G1000 (C26444)	365	\$ 20.968	\$ 7,653	109,952	\$ -	\$ -
G1000 (C26779)	365	\$ 201.386	\$ 73,506	12,675	\$ -	\$ -
G1000 (C31266)	365	\$ 72.172	\$ 26,343	263,109	\$ -	\$ -
G1000 (C31778)	365	\$ 72.587	\$ 26,494	195,645	\$ -	\$ -
G1000 (C32121)	365	\$ 164.022	\$ 59,868	6,976	\$ -	\$ -
	<u>3,678,189</u>		<u>\$ 2,629,616</u> Σ _i P _{i,2024} × Q _{i,2022}	<u>1,203,945</u>		<u>\$ 2,630,458</u> Σ _i P _{i,2024} × Q _{i,2022}

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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 “2023 Default Price-Quality Path Annual Compliance Statement – Gas Distribution Network Services”, a copy of which is available on GasNet’s website <http://www.gasnet.co.nz/gasnet-disclosures>.

Attribute	Description	Value
K₂₀₂₃	is the sum of all Pass-through Costs for the Pricing Year ending in 2023	\$72,768
V₂₀₂₃	is the sum of all Recoverable Costs for the Pricing Year ending in 2023	\$ nil
ANR₂₀₂₃	is the Allowable Notional Revenue for the Pricing Period ending in 2023	\$4,870,997
NR₂₀₂₃	is the Notional Revenue for the Pricing Period ending in 2023	\$4,844,949

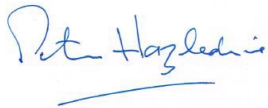
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Appendix 3 - Director Certification

(Pursuant to the Gas Distribution Services Default Price-Quality Path Determination 2022)

Schedule 7: Form of Directors' Certificate for Compliance Statement

We, Charles Peter Hazledine and Matthew Doyle 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 2022 has been prepared in accordance with all the relevant requirements.



Peter Hazledine
Director



Matthew Doyle
Director

20 December 2024

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Independent Assurance Report

**To the Directors of GasNet Limited and
to the Commerce Commission
on the annual Compliance Statement
for the assessment period ended 30 September 2024
as required by the Notice to Supply Information to the Commerce
Commission Under Section 53N of the Commerce Act 1986**

The Auditor-General is the auditor of GasNet Limited (the company). The Auditor-General has appointed me, Chris Webby, using the staff and resources of Audit New Zealand, to provide reasonable assurance, on his behalf, on whether the Compliance Statement on pages 3 to 9 (the Compliance Statement) for the assessment period ended on 30 September 2024 complies, in all material respects, with the Gas Distribution Services Default Price-Quality Path Determination 2022 NZCC 19 (the Determination) as specified in the notice to supply information to the Commerce Commission under section 53N of the Commerce Act 1986 (Section 53N notice).

Opinion

In our opinion, in all material respects:

- as far as appears from our examination, the information used in the preparation of the Compliance Statement has been properly extracted from the company's accounting and other records, sourced from its financial and non-financial systems; and
- the company has complied with paragraphs A5 and A6 of the Section 53N notice in preparing the Compliance Statement for the assessment period ended 30 September 2024.

Basis of opinion

We conducted our engagement in accordance with the 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 3100 (Revised) requires that we also comply with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

We have obtained sufficient recorded evidence and explanations that we required to provide a basis for our opinion.

Directors' responsibilities

The directors of the company are responsible for the:

- preparation of the Compliance Statement under paragraph A3 and in accordance with the requirements in paragraphs A5 and A6 of the Section 53N notice; and
- identification of risks that may threaten compliance with the clauses identified above and controls which will mitigate those risks and monitor ongoing compliance.

Auditor's responsibilities

Our responsibilities in terms of paragraphs A3(d), A10(b)(vi), and A10(c) of the Section 53N notice, are to express an opinion on whether:

- as far as appears from an examination, the information used in the preparation of the Compliance Statement has been properly extracted from the company's accounting and other records, sourced from its financial and non-financial systems; and
- the company has complied, for the assessment period ended 30 September 2024, in all material respects, with the Determination in preparing the Compliance Statement.

To meet these responsibilities, we planned and performed procedures in accordance with SAE 3100 (Revised), to obtain reasonable assurance about whether the company has complied, in all material respects, with paragraphs A5 and A6 of the Section 53N notice.

In relation to the price path set out in clause 8 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 4 to 5 and 8 of the Compliance Statement.

In relation to the annual quality assessment formula set out in clause 9 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 5 to 7 of the Compliance Statement.

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

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 with paragraphs A5 and A6 of the Section 53N notice may occur and not be detected. A reasonable assurance engagement throughout the assessment period does not provide assurance on whether compliance with paragraphs A5 and A6 of the Section 53N notice will continue in the future.

Restricted use

This report has been prepared for use by the directors of the company and the Commerce Commission in accordance with paragraph A3(d) of the Section 53N notice and is provided solely for the purpose of establishing whether the compliance requirements have been met. 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.

Independence and quality control

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board; and
- quality management requirements, which incorporate Professional and Ethical Standard 3 Quality Management for Firms that perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3) issued by the New Zealand Auditing and Assurance Standards Board. PES 3 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.

The Auditor-General, and his employees, 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, this engagement, the assurance engagement on the Information Disclosures and the annual audit of the company's financial statements and performance information, we have no relationship with, or interests in, the company.



Chris Webby
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand
20 December 2024