



GasNet Limited

2014 Default Price-Quality Path Annual Compliance Statement Gas Distribution Network Services

For the First Assessment Period
(1 July 2013 to 30 September 2014)

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

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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 First Assessment Period by not exceeding its Allowable Notional Revenue of \$5,804,455 by a margin of \$1,966 or 0.03%.

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 16, 4 and 10 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 15 month period from 1 July 2013 to 30 September 2014.

This statement has been prepared on 19 November 2014.

3.0 ALLOWABLE NOTIONAL REVENUE FOR THE FIRST ASSESSMENT PERIOD

3.1 Allowable Notional Revenue for 2013 (ANR₂₀₁₃)

In accordance with Equation 1 of Schedule 3 of the DPP Determination the Allowable Notional Revenue for the Pricing Period ending in 2013 is equal to:

$$ANR_{2013} = MAR / \Delta D$$

Where:

MAR (\$m) is the starting price specified in Schedule 1 of the DPP Determination for GasNet Limited (\$4.578m)

ΔD is the value specified in Table 2 of Schedule 3 in the DPP Determination for GasNet Limited (0.989)

Therefore:

$$\begin{aligned} ANR_{2013} &= \frac{\$4.578m}{0.989} \\ &= \$4,628,918 \end{aligned}$$

3.2 Allowable Notional Revenue for 2014 (ANR₂₀₁₄)

In accordance with Equation 2 of Schedule 3 of the DPP Determination the Allowable Notional Revenue for the Pricing Period ending in 2014 is equal to:

$$ANR_{2014} = (ANR_{2013} \times CPR_{2012}) \times (1 + \Delta CPI_{2014}) \times (1 - X)$$

Where:

ANR₂₀₁₃ is the Allowable Notional Revenue for the Pricing Period ending in 2013 (ANR₂₀₁₃) as calculated above (\$4,628,918); and

CPR₂₀₁₂ is the value specified in Table 2 of Schedule 3 in the DPP Determination for GasNet Limited (0.995); and

X is the rate of change as specified in Schedule 2 of the DPP Determination (0); and

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ΔCPI_{2014}

is the derived change in the CPI to be applied for the pricing Period ending in 2014 being equal to:

$$\begin{aligned}\Delta\text{CPI}_{2014} &= \frac{(\text{CPI}_{\text{Jun } 2012} + \text{CPI}_{\text{Sep } 2012} + \text{CPI}_{\text{Dec } 2012} + \text{CPI}_{\text{Mar } 2013})}{(\text{CPI}_{\text{Jun } 2011} + \text{CPI}_{\text{Sep } 2011} + \text{CPI}_{\text{Dec } 2011} + \text{CPI}_{\text{Mar } 2012})} - 1 \\ &= \frac{(1168 + 1171 + 1169 + 1174)}{(1157 + 1162 + 1158 + 1164)} - 1 \\ &= 0.009\end{aligned}$$

Therefore:

$$\begin{aligned}\text{ANR}_{2014} &= (\$4,628,918 \times 0.995) \times (1 + 0.009) \times (1 - 0) \\ &= \$ 4,647,225\end{aligned}$$

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 2014.

Description	Timing of Payment			Total	Forecast	Variance	
	1-Apr-13 to 30-Sep-13		1-Oct-13 to 30-Sep-14			\$	%
	Cost	Time Value Adjustments	Cost				
Commerce Commission Levy	\$ -	\$ -	\$ 23,826.40	\$23,826.40	\$25,000	-\$1,173.60	-4.7%
Electricity & Gas Complaints Scheme Levy	\$ 1,877.88	\$ 101.03	\$ 1,773.19	\$ 3,752.09	\$ 4,000	-\$ 247.91	-6.2%
Local Authority Rates	\$ 6,837.44	\$ 367.85	\$ 47,574.84	\$54,780.12	\$54,000	\$ 780.12	1.4%
	\$ 8,715.31	\$ 468.88	\$ 73,174.42	\$82,358.61	\$83,000	-\$ 641.39	-0.8%

The Time Value Adjustments shown in the table have been calculated in accordance with Clause 9 (a) Schedule 5 of the DPP Determination, at the discount rate of 5.38% applied to those Pass-through Costs which were incurred prior to the Pricing Year ending in 2014 but which related to that Pricing Year.

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5.0 NOTIONAL REVENUE FOR THE FIRST ASSESSMENT PERIOD

5.1 Notional Revenue for 2013 (NR₂₀₁₃)

In accordance with Clause 8.5 of the determination the Notional Revenue for the Pricing Period ending in 2014 is equal to:

$$NR_{2013} = \sum_i P_{i,2013} \times Q_{i,2011} - (K_{2013} + V_{2013})$$

Where:

$\sum_i P_{i,2013} \times Q_{i,2011}$ is the revenue from all Load Groups based on the 2011 quantities and the 2013 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,223,033 for the Fixed Charges and \$2,335,528 for the Variable Charges); and

K_{2013} is nil for the Pricing Year ending in 2013 in accordance with Clause 8.5 (a) of the DPP Determination; and

V_{2013} is nil for the Pricing Year ending in 2013 in accordance with Clause 8.5 (a) of the DPP Determination.

Therefore:

$$\begin{aligned} NR_{2013} &= \$2,223,033 + \$2,335,528 - (0 + 0) \\ &= \$4,558,561 \end{aligned}$$

5.2 Notional Revenue for 2014 (NR₂₀₁₄)

In accordance with Clause 8.5 of the determination the Notional Revenue for the Pricing Period ending in 2014 is equal to:

$$NR_{2014} = \sum_i P_{i,2014} \times Q_{i,2012} - (K_{2014} + V_{2014})$$

Where:

$\sum_i P_{i,2014} \times Q_{i,2012}$ is the revenue from all Load Groups based on the 2012 quantities and the 2014 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,190,613 for the Fixed Charges and \$2,554,595 for the Variable Charges); and

K_{2014} is the sum of all Pass-through Costs for the Pricing Year ending in 2014 as calculated in the Pass-through Costs Schedule in Appendix 2 (\$82,359); and

V_{2014} is the sum of all Recoverable Costs for the Pricing Year ending in 2014, which is nil as GasNet incurred no such costs.

Therefore:

$$\begin{aligned} NR_{2014} &= \$2,190,613 + \$2,554,595 - (82,359 + 0) \\ &= \$4,662,849 \end{aligned}$$

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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 First Assessment Period must not exceed the Allowable Notional Revenue for the same period:

$$0.25 \times ANR_{2013} + ANR_{2014} \geq 0.25 \times NR_{2013} + NR_{2014}$$

Where:

ANR₂₀₁₃ is the Allowable Notional Revenue for the Pricing Period ending in 2013 as calculated above (\$4,628,918); and

ANR₂₀₁₄ is the Allowable Notional Revenue for the Pricing Period ending in 2014 as calculated above (\$4,647,225); and

NR₂₀₁₃ is the Notional Revenue for the Pricing Period ending in 2013 as calculated above (\$4,558,561); and

NR₂₀₁₄ is the Notional Revenue for the Pricing Period ending in 2014 as calculated above (\$4,662,849).

Therefore:

$$\begin{aligned} 0.25 \times ANR_{2013} + ANR_{2014} &= (0.25 \times \$4,628,918) + \$4,647,225 \\ &= \$5,804,455 \end{aligned}$$

$$\begin{aligned} 0.25 \times NR_{2013} + NR_{2014} &= (0.25 \times \$4,558,561) + \$4,662,849 \\ &= \$5,802,489 \end{aligned}$$

$$\$5,804,455 > \$5,802,489$$

Therefore the condition is satisfied

7.0 RESTRUCTURING OF PRICES

Consistent with its 2013/14 Pricing Methodology published on 22 July 2013, GasNet plans 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.

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 2013/14 and 2014/15 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 2014/15 Pricing Methodology that shows the transition from the existing to the proposed Load Groups.

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Existing		From 1 October 2015			
Load Group	Criteria	Load Group	Criteria	Consumers (No.)	Throughput (GJ)
M6	Up to 6 scmh	G12	Up to 12 scmh	9,650	247,847
M12	>6 and ≤ 12 scmh				
M23	> 12 and ≤ 23 scmh	G40	>12 and ≤ 40 scmh	81	27,133
M33	> 23 and ≤ 33 scmh				
M43	> 33 and ≤ 43 scmh	G180	> 40 and ≤ 180 scmh	66	102,452
M85	> 43 and ≤ 85 scmh				
M142	>85 and ≤ 142 scmh				
M200	> 142 and ≤ 200 scmh	G450	>180 and ≤ 450 scmh	7	116,818
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	Annual consumption >20TJ and either within 900m of a Sales Gate or direct supply from a Sales Gate	7	654,642
		G2000	Individually priced	-	-
				9,811	1,148,892

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 2013/14 Pricing Methodology.

ICP Status Code	Valid Connection Status	Connection Status Code	Network Service Charges Apply	
			Previously	From 1 October 2013
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 2013 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 2013/14 and 2014/15 Pricing Methodology documents published on GasNet's website (www.gasnet.co.nz/disclosures).

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8.0 EMERGENCIES DURING THE ASSESSMENT PERIOD

There were three events that occurred during the Assessment Period that satisfied the criteria as an Emergency pursuant to the DPP Determination. Two involved the fire service which had been contacted directly by the public in the report of gas escapes and the third affected the supply to six consumers.

The events were relatively minor in nature and whilst the Fire Service were involved by the virtue of the fact that they had received the first advice of the gas escapes, they were not actively involved on site.

Date of Event	Type of Event	Emergency Criteria			Response Time
		Emergency Services Involved	Number of Supplies (ICPs) Affected	Properties Evacuated	
2-Jul-2013	Gas Leak in street	Fire Service	Nil	Nil	16 minutes
25-Jan-2014	Gas Leak in street	Fire Service	Nil	Nil	4 minutes
14 August 2014	Gas Leak in street	No	6	Nil	10 minutes
Average Response Time					10 minutes

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:

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

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

Where:

RTE	is the total number of Emergencies in the Assessment Period (total count of 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:

$$(i) \frac{RTE60}{RTE} = \frac{3}{3} = 1 \geq 0.80 \text{ therefore condition is satisfied; and}$$

$$(ii) \frac{RTE180}{(RTE - RTE_{excl})} = \frac{3}{(3 - 0)} = 1 \text{ therefore condition is satisfied.}$$

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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 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 ₂₀₁₁	Q ₂₀₁₂	P ₂₀₁₃	P ₂₀₁₄	P ₂₀₁₃ x Q ₂₀₁₁	P ₂₀₁₄ x Q ₂₀₁₂	Q ₂₀₁₁	Q ₂₀₁₂	P ₂₀₁₃	P ₂₀₁₄	P ₂₀₁₃ x Q ₂₀₁₁	P ₂₀₁₄ x Q ₂₀₁₂
C12323	365	366	\$ 57,781	\$ 55,216	\$ 21,090	\$ 20,209	154,872	144,550	\$ -	\$ -	\$ -	\$ -
C12328	365	366	\$ 70,234	\$ 67,915	\$ 25,635	\$ 24,857	8,989	5,617	\$ -	\$ -	\$ -	\$ -
C12329	365	366	\$ 7,873	\$ 14,171	\$ 2,874	\$ 5,187	59,332	60,671	\$ -	\$ -	\$ -	\$ -
C12337	365	366	\$ 20,849	\$ 20,726	\$ 7,610	\$ 7,586	31,909	30,173	\$ -	\$ -	\$ -	\$ -
C14688	365	366	\$ 156,292	\$ 168,795	\$ 57,047	\$ 61,779	67,683	63,924	\$ -	\$ -	\$ -	\$ -
C14691	365	366	\$ 132,953	\$ 127,391	\$ 48,528	\$ 46,625	20,797	22,374	\$ -	\$ -	\$ -	\$ -
C16459	365	366	\$ 16,728	\$ 21,070	\$ 6,106	\$ 7,712	40,303	37,165	\$ -	\$ -	\$ -	\$ -
C17499	365	366	\$ 139,671	\$ 132,449	\$ 50,980	\$ 48,476	18,540	19,898	\$ -	\$ -	\$ -	\$ -
C19475	365	-	\$ 1,107	\$ 132,449	\$ 404	\$ -	6,006	\$ -	\$ -	\$ -	\$ -	
C26262	365	366	\$ 30,112	\$ 28,800	\$ 10,991	\$ 10,541	22,699	32,487	\$ -	\$ -	\$ -	\$ -
C26444	365	366	\$ 25,583	\$ 31,979	\$ 9,338	\$ 11,704	161,615	169,003	\$ -	\$ -	\$ -	\$ -
C26779	365	366	\$ 267,751	\$ 268,718	\$ 97,729	\$ 98,351	18,172	17,335	\$ -	\$ -	\$ -	\$ -
C31266	365	366	\$ 57,177	\$ 55,593	\$ 20,870	\$ 20,347	194,968	185,747	\$ -	\$ -	\$ -	\$ -
CNG	273	-	\$ -	\$ -	\$ -	\$ -	54	0	\$ 8,528	\$ -	\$ 460	\$ -
M12 (Active)	97,635	98,028	\$ 0,359	\$ 0,490	\$ 35,051	\$ 48,034	21,754	22,379	\$ 6,396	\$ 6,399	\$ 139,141	\$ 143,205
M12 (Inactive)	-	574	\$ 0,359	\$ -	\$ -	\$ -	-	-	\$ 6,396	\$ 6,399	\$ -	\$ -
M142	4,291	3,715	\$ 2,194	\$ 1,500	\$ 9,414	\$ 5,573	25,550	27,908	\$ 6,396	\$ 6,372	\$ 163,420	\$ 177,830
M200	365	366	\$ 2,696	\$ 15,000	\$ 984	\$ 5,490	1,880	3,446	\$ 6,396	\$ 4,626	\$ 12,025	\$ 15,941
M23 (Active)	24,323	24,808	\$ 0,554	\$ 0,700	\$ 13,475	\$ 17,366	22,857	24,489	\$ 6,396	\$ 6,596	\$ 146,194	\$ 161,528
M23 (Inactive)	-	434	\$ 0,554	\$ -	\$ -	\$ -	-	-	\$ 6,396	\$ 6,596	\$ -	\$ -
M33	5,475	5,398	\$ 0,769	\$ 0,700	\$ 4,210	\$ 3,779	4,344	4,674	\$ 6,396	\$ 6,761	\$ 27,782	\$ 31,604
M43 (Active)	10,913	10,387	\$ 0,923	\$ 1,500	\$ 10,073	\$ 15,581	18,123	16,877	\$ 6,396	\$ 5,980	\$ 115,912	\$ 100,927
M43 (Inactive)	-	562	\$ 0,923	\$ -	\$ -	\$ -	-	-	\$ 6,396	\$ 5,980	\$ -	\$ -
M450	365	366	\$ 3,454	\$ 15,000	\$ 1,261	\$ 5,490	1,909	793	\$ 6,396	\$ 5,077	\$ 12,212	\$ 4,028
M6 (Active)	3,586,785	3,495,004	\$ 0,492	\$ 0,490	\$ 1,764,698	\$ 1,712,552	231,656	233,666	\$ 6,396	\$ 7,084	\$ 1,481,672	\$ 1,655,291
M6 (Inactive)	29,624	118,242	\$ 0,492	\$ -	\$ 14,575	\$ -	-	-	\$ 6,396	\$ 7,084	\$ -	\$ -
M85	9,116	8,918	\$ 1,107	\$ 1,500	\$ 10,091	\$ 13,377	37,009	42,442	\$ 6,396	\$ 6,226	\$ 236,710	\$ 264,241
Total	3,773,910	3,771,194			\$ 2,223,033	\$ 2,190,613	1,171,022	1,165,620		\$ 2,335,528	\$ 2,554,595	
					ΣP_{i,2013} x Q_{i,2011}	ΣP_{i,2014} x Q_{i,2012}				ΣP_{i,2013} x Q_{i,2011}	ΣP_{i,2014} x Q_{i,2012}	

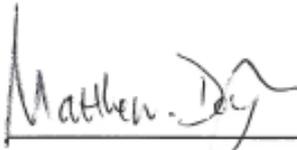
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Appendix 2 - Director Certification

(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

19 November 2014

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General Manager		Review Due:	N/A	

Appendix 3 – Auditors Report

Independent Auditor's Report to the readers 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, John O'Connell, using the staff and resources of Audit New Zealand, to provide an opinion, on her behalf, on whether the Compliance Statement for the assessment period ended on 30 September 2014 on page 1 to 13 complies, in all material respects, with the Gas Distribution Services Default Price-Quality Path Determination 2013 NZCC 4 (the Determination).

Director's responsibilities for the 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, whether due to fraud or error or non-compliance with the Determination.

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

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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 7 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 9 and 10 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 an 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 the 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.

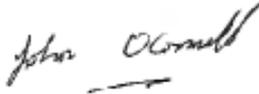
The Auditor-General, and her employees, and Audit New Zealand and its employees may deal with the company on normal terms within the ordinary course of trading activities of the company. Other than any dealings on normal terms within the ordinary course of business, this engagement and the annual audit of the company's financial statements, we have no relationship with or interests in the company.

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Opinion

In our opinion, the Compliance Statement of GasNet Limited for the assessment period ended on 30 September 2014, has been prepared, in all material respects, in accordance with the Determination.

Our audit was completed on 19 November 2014 and our opinion is expressed as at that date.



John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

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