



GasNet Limited

2017 Default Price-Quality Path Annual Compliance Statement Gas Distribution Network Services

For the Forth Assessment Period
(1 October 2016 to 30 September 2017)

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

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Responsible Manager: General Manager		Effective From: N/A	Page 1 of 14
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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 Forth Assessment Period by not exceeding its Allowable Notional Revenue of \$4,732,323 by a margin of \$10,250 or 0.22%.

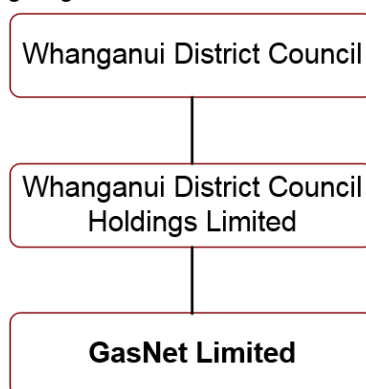
1.2 Quality Standards

GasNet has complied with both quality standards in respect to GasNet's response to the one Emergency that occurred during the Assessment Period, with a response time of 15 minutes and therefore within the 60 minute and 180 minute thresholds.

2.0 INTRODUCTION

2.1 About GasNet

GasNet Limited is 100% owned by Whanganui 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.

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

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 2016 to 30 September 2017.

This statement has been prepared on 8 December 2017.

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 2017 (ANR_{2017}) is equal to:

$$ANR_{2017} = (\sum_i P_{i,2016} \times Q_{i,2015} - (K_{2016} + V_{2016}) + (ANR_{2016} - NR_{2016})) \times (1 + \Delta CPI_{2017}) \times (1 - X)$$

Where:

- $\sum_i P_{i,2016} \times Q_{i,2015}$ is the revenue from all Load Groups based on the 2015 quantities and the 2016 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,254,787 for the Fixed Charges and \$2,492,808 for the Variable Charges); and
- K_{2016} is the sum of all Pass-through Costs for the Pricing Year ending in 2016 as previously disclosed and shown in Appendix 2 (\$36,627); and
- V_{2016} is the sum of all Recoverable Costs for the Pricing Year ending in 2016, as previously disclosed and shown in Appendix 2 (\$nil); and
- ANR_{2016} is the Allowable Notional Revenue for the Pricing Period ending in 2016 (ANR_{2016}) as previously disclosed and shown in Appendix 2 (\$4,520,808); and
- NR_{2016} is the Notional Revenue for the Pricing Period ending in 2016 as previously disclosed and shown in Appendix 2 (\$4,515,018); and
- ΔCPI_{2017} is the derived change in the CPI to be applied for the pricing Period ending in 2015 being equal to:

$$\begin{aligned} \Delta CPI_{2017} &= \frac{(CPI_{Jun\ 2015} + CPI_{Sep\ 2015} + CPI_{Dec\ 2015} + CPI_{Mar\ 2016})}{(CPI_{Jun\ 2014} + CPI_{Sep\ 2014} + CPI_{Dec\ 2014} + CPI_{Mar\ 2015})} - 1 \\ &= \frac{(1200 + 1204 + 1198 + 1200)}{(1195 + 1199 + 1197 + 1195)} - 1 \\ &= 0.0033 \end{aligned}$$

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

Therefore:

$$\begin{aligned} ANR_{2017} &= ((\$4,747,595 - (\$36,627 + 0) + (\$4,520,808 - \$4,515,018)) \times (1 + 0.0033) \times (1 - 0)) \\ &= \$4,732,323 \end{aligned}$$

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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 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.

The following table provides the breakdown of Pass-through Costs incurred by GasNet Limited for the Pricing Year ending in 2017.

	Timing of Payment			Total
	Prior to 1 October 2016		1 October 2016 to 30 September 2017	
	Cost Incurred	Time Value Adjustments	Cost Incurred	
Commerce Commission	\$ 19,688.14	\$ 1,059.22	\$ -	\$ 20,747.36
Utilities Disputes Scheme	\$ 4,877.02	\$ 262.38	\$ -	\$ 5,139.40
Rates	\$ 17,731.19	\$ 953.94	\$ 28,621.82	\$ 47,306.95
	\$ 42,296.35	\$ 2,275.54	\$ 28,621.82	\$ 73,193.71

5.0 NOTIONAL REVENUE

In accordance with Clause 8.5 of the determination the Notional Revenue for the Pricing Period ending in 2017 (NR₂₀₁₇) is equal to:

$$NR_{2017} = \sum_i P_{i,2017} \times Q_{i,2015} - (K_{2017} + V_{2017})$$

Where:

$\sum_i P_{i,2017} \times Q_{i,2015}$ is the revenue from all Load Groups based on the 2015 quantities and the 2017 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,215,155 for the Fixed Charges and \$2,580,112 for the Variable Charges); and

K_{2017} is the sum of all Pass-through Costs for the Pricing Year ending in 2017 as calculated in Pass-through Costs (Section 4.0) above (\$73,194); and

V_{2016} is the sum of all Recoverable Costs for the Pricing Year ending in 2017, which is nil as GasNet incurred no such costs.

Therefore:

$$\begin{aligned} NR_{2017} &= \$2,215,155 + \$2,580,112 - (73,194 + 0) \\ &= \$4,722,073 \end{aligned}$$

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:

$$ANR_{2017} \geq NR_{2017}$$

Where:

ANR_{2017} is the Allowable Notional Revenue for the Pricing Period ending in 2017 as calculated above (\$4,732,323); and

NR_{2016} is the Notional Revenue for the Pricing Period ending in 2016 as calculated above (\$4,722,073); and

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Therefore:

\$4,732,323 > \$4,722,073

So the condition is satisfied

7.0 RESTRUCTURING OF PRICES

Consistent with its 2016/17 Pricing Methodology published on 26 July 2016, GasNet implemented a new pricing structure from 1 October 2016 that resulted in a reduction in Load Groups that are more closely aligned to that of other gas distribution network operators in New Zealand.

The following table is an extract from the 2016/17 Pricing Methodology that shows the transition from the previous to the new Load Groups.

New Load Group (from 1 October 2016)	Previous Load Group (up to September 2016)	Criteria	Consumers (No.)	Throughput (GJ)
G12	M6 M12	Upto 13 scmh	9,727	246,321
G50	M23 M33 M43	> 13 and ≤ 50 scmh	115	42,303
G180	M85 M142	> 50 and ≤ 180 scmh	34	87,846
G450	M200 M300 M450	> 180 scmh	7	113,271
G1000	Large Sites	Individually Priced	8	835,928
			9,891	1,325,668

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 was one event that occurred during the Assessment Period that met the criteria as an Emergency pursuant to the DPP Determination.

The event occurred on 15 January 2017 and involved a passerby operating an uncapped gas service valve and igniting the escaping gas. Fire and Emergency NZ were in attendance and no supplies affected or properties evacuated.

Date of Event	Type of Event	Emergency Criteria			Response Time
		Emergency Services Involved	Number of Supplies (ICPs) Affected	Properties Evacuated	
15 Jan 2017	Gas fire caused by interference	Fire and Emergency NZ	Nil	Nil	15 mins

Average Response Time 15 mins

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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 1 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 1 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 1 as stated above).

Therefore:

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

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

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 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.

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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

Previous Load Group (up to September 2016)	New Load Group (from 1 October 2016)	Fixed Charges (per day)			Variable Charges (per GJ)						
		Q ₂₀₁₅	P ₂₀₁₆	P ₂₀₁₇	P ₂₀₁₆ x Q ₂₀₁₅	P ₂₀₁₇	P ₂₀₁₆ x Q ₂₀₁₅	P ₂₀₁₇ x Q ₂₀₁₅			
M6	G12	3,445,662	\$ 0.500	\$ 0.500	\$ 1,722,831	\$ 1,722,831	\$ 234,663	\$ 7,143	\$ 7,212	\$ 1,676,196	\$ 1,692,388
M12		111,297	\$ 0.500	\$ 0.500	\$ 55,649	\$ 55,649	22,573	\$ 7,143	\$ 7,212	\$ 161,237	\$ 162,794
M23		25,376	\$ 1.200	\$ 2.100	\$ 30,451	\$ 53,290	24,000	\$ 7,340	\$ 7,225	\$ 176,161	\$ 173,401
M33	G50	4,396	\$ 1.200	\$ 2.100	\$ 5,275	\$ 9,232	1,712	\$ 7,340	\$ 7,225	\$ 12,567	\$ 12,370
M43		10,957	\$ 1.200	\$ 2.100	\$ 13,148	\$ 23,010	16,440	\$ 6,581	\$ 7,225	\$ 108,191	\$ 118,779
M85	G180	8,270	\$ 5.000	\$ 5.000	\$ 41,350	\$ 41,350	37,391	\$ 4,979	\$ 4,740	\$ 186,169	\$ 177,233
M142		4,269	\$ 5.000	\$ 5.000	\$ 21,345	\$ 21,345	33,968	\$ 4,979	\$ 4,740	\$ 169,128	\$ 161,010
M200	G450	496	\$ 35.000	\$ 45.000	\$ 17,360	\$ 22,320	3,695	\$ 0.788	\$ 0.783	\$ 2,912	\$ 2,894
M450		365	\$ 35.000	\$ 45.000	\$ 12,775	\$ 16,425	314	\$ 0.788	\$ 0.783	\$ 247	\$ 246
C12328		365	\$ 56.033	\$ 45.000	\$ 20,452	\$ 16,425	7,160	\$ -	\$ 0.783	\$ -	\$ 5,606
C14688		365	\$ 176.204	\$ 45.000	\$ 64,314	\$ 16,425	58,728	\$ -	\$ 0.783	\$ -	\$ 45,984
C14691		365	\$ 90.003	\$ 45.000	\$ 32,851	\$ 16,425	17,643	\$ -	\$ 0.783	\$ -	\$ 13,815
C17499	C12323	365	\$ 87.892	\$ 45.000	\$ 32,081	\$ 16,425	17,361	\$ -	\$ 0.783	\$ -	\$ 13,594
C12323		365	\$ 47.051	\$ 46.871	\$ 17,174	\$ 17,108	131,193	\$ -	\$ -	\$ -	\$ -
C12329		365	\$ 20.617	\$ 18.643	\$ 7,525	\$ 6,805	60,617	\$ -	\$ -	\$ -	\$ -
C12337		365	\$ 31.173	\$ 31.190	\$ 11,378	\$ 11,384	25,457	\$ -	\$ -	\$ -	\$ -
C16459		365	\$ 19.772	\$ 14.339	\$ 7,217	\$ 5,234	33,966	\$ -	\$ -	\$ -	\$ -
C26262		365	\$ 25.958	\$ 30.179	\$ 9,475	\$ 11,015	31,045	\$ -	\$ -	\$ -	\$ -
C26444		365	\$ 31.500	\$ 23.118	\$ 11,498	\$ 8,438	137,996	\$ -	\$ -	\$ -	\$ -
C26779		365	\$ 262.157	\$ 263.340	\$ 95,687	\$ 96,119	21,761	\$ -	\$ -	\$ -	\$ -
C31266		395	\$ 52.266	\$ 59.463	\$ 20,645	\$ 23,488	205,108	\$ -	\$ -	\$ -	\$ -
C31778		92	\$ 46.811	\$ 47.973	\$ 4,307	\$ 4,414	33,776	\$ -	\$ -	\$ -	\$ -
Total		3,615,590		\$ 2,254,787	\$ 2,215,155	1,156,569		\$ 2,492,808	\$ 2,580,112		
					$\Sigma P_{i,2016} \times Q_{i,2015}$	$\Sigma P_{i,2017} \times Q_{i,2015}$		$\Sigma P_{i,2016} \times Q_{i,2015}$	$\Sigma P_{i,2017} \times Q_{i,2015}$		

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Appendix 2 – Data from Previous Compliance Statements

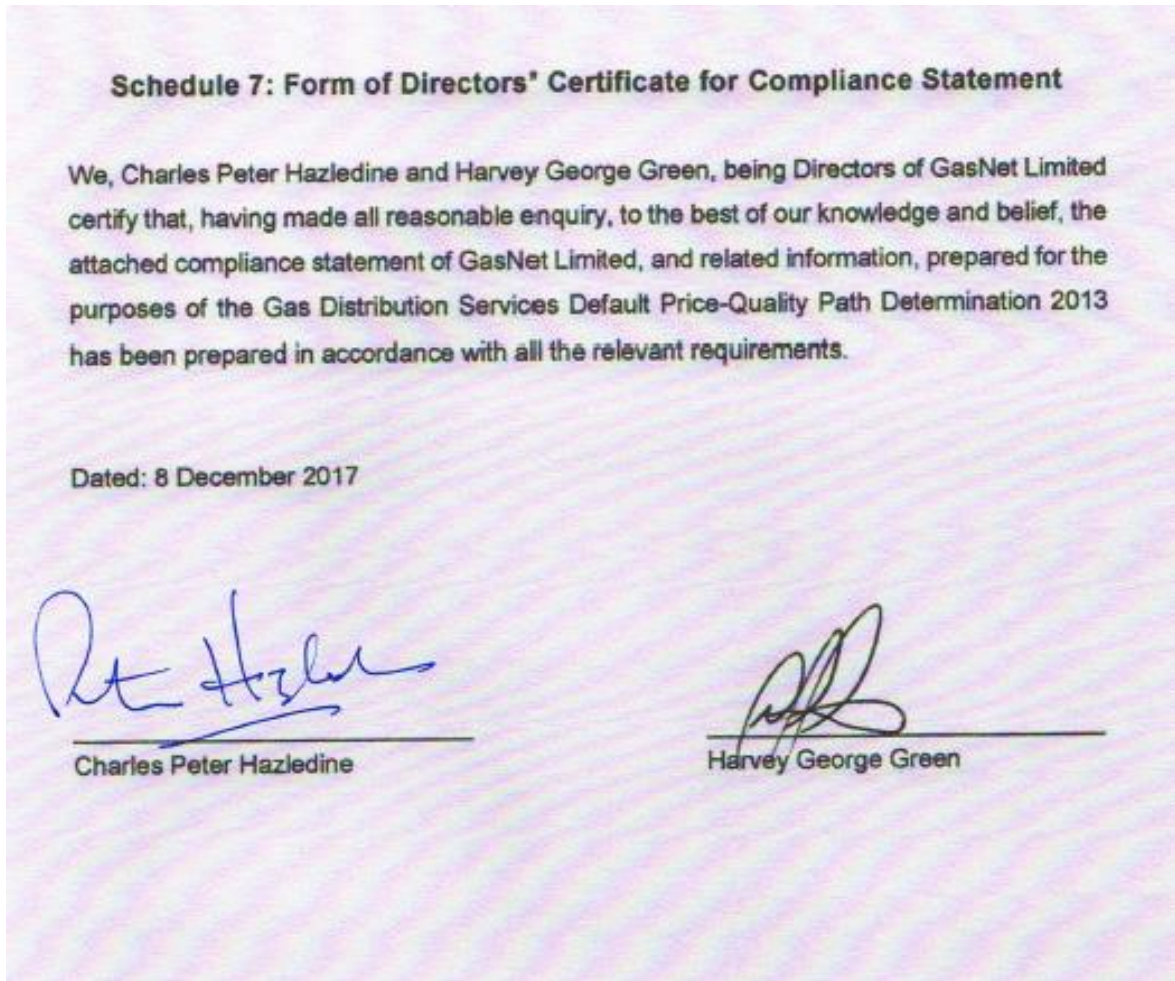
The following supporting data, information and calculations were disclosed and published within the GasNet Limited “2015 Default Price-Quality Path Annual Compliance Statement – Gas Distribution Network Services”, a copy of which is available on GasNet’s website www.GasNet.co.nz/disclosures.

Attribute	Description	Value
K₂₀₁₆	is the sum of all Pass-through Costs for the Pricing Year ending in 2016	\$36,627
V₂₀₁₆	is the sum of all Recoverable Costs for the Pricing Year ending in 2016	\$nil
ANR₂₀₁₆	is the Allowable Notional Revenue for the Pricing Period ending in 2016	\$4,520,808
NR₂₀₁₆	is the Notional Revenue for the Pricing Period ending in 2016	\$4,515,018

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Appendix 3 - Director Certification

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



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Appendix 4 – Auditors Report



Independent Assurance Report

To the directors of GasNet Limited and 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 his behalf, on whether the Compliance Statement on pages 3 to 10 (the Compliance Statement) for the assessment period ended on 30 September 2017 complies, in all material respects, with the Gas Distribution Services Default Price-Quality Path Determination 2013 NZCC 4 (the Determination).

Directors' 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.

Our qualifications

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

Our 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 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Standard on Assurance Engagements 3100: Compliance Engagements issued by the External Reporting Board. Copies of these standards are available on the External Reporting Board's website.

These standards require that we comply with ethical requirements and plan and perform our assurance engagement to provide reasonable assurance about whether the Compliance Statement has been prepared in all material respects in accordance with the Determination.

We have performed procedures to obtain evidence about the amounts and disclosures in the Compliance Statement. The procedures selected depend on our 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, we considered internal control relevant to the company's preparation of the Compliance Statement in order to design 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 assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 3 to 6 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 6 to 8 of the Compliance Statement.

We also assessed the significant estimates and judgements, if any, made by the company in the preparation of the Compliance Statement and made an assessment of whether the basis of preparation has been adequately disclosed.

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

Use of this report

This independent assurance report has been prepared solely for the directors of the company and for the Commerce Commission for the purpose of providing those parties with reasonable 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 a reasonable assurance 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 assurance report has been formed on the above basis.

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

The Auditor-General, and his 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 company for the assessment period ended on 30 September 2017, has been prepared, in all material respects, in accordance with the Determination.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand
11 December 2017

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