



GasNet Limited

2022 Default Price-Quality Path Annual Compliance Statement Gas Distribution Network Services

For the Fifth Assessment Period of the Second Regulatory Period
(1 October 2021 to 30 September 2022)

Pursuant to:
Gas Distribution Services Default Price-Quality Path Determination 2017
Issued 29 May 2017

DR

Document No:	Document Name:	Approved:	18/12/2022	Version: 1.0
GNM-011	Annual DPP Compliance Statement – 30 September 2022	Last Amended:	N/A	
Responsible Manager:		Effective From:	N/A	Page 1 of 11
General Manager		Review Due:	N/A	

Table of Contents

1.0	PRICE PATH AND QUALITY STANDARDS COMPLIANCE STATEMENTS	3
1.1	Price Path	3
1.2	Quality Standards	3
2.0	INTRODUCTION	3
2.1	About GasNet	3
2.2	Supply Area Coverage	3
2.3	Default Price-quality Path Regime	4
2.4	Annual Compliance Statement	4
3.0	ALLOWABLE NOTIONAL REVENUE	4
4.0	PASS-THROUGH COSTS	4
5.0	NOTIONAL REVENUE	5
6.0	COMPLIANCE WITH THE PRICE PATH	5
7.0	EMERGENCIES DURING THE ASSESSMENT PERIOD	6
8.0	COMPLIANCE WITH THE QUALITY STANDARDS	6
9.0	POLICIES & PROCEDURES FOR RESPONDING TO EMERGENCIES	7
	Appendix 1 - Price and Quantities Schedule	
	Appendix 2 - Data from Previous Compliance Statements	
	Appendix 3 - Director Certification	
	Appendix 4 - Auditors Report	

DR

Document No:	Document Name:	Approved:	18/12/2022	Version: 1.0
GNM-011	Annual DPP Compliance Statement – 30 September 2022	Last Amended:	N/A	
Responsible Manager:		Effective From:	N/A	Page 2 of 11
General Manager		Review Due:	N/A	

1.0 PRICE PATH AND QUALITY STANDARDS COMPLIANCE STATEMENTS

1.1 Price Path

GasNet has complied with its price path for the Fifth Assessment Period by ensuring that Notional Revenue of \$4,480,000 is less than the Allowable Notional Revenue of \$4,581,000 by a margin of \$101,000 or 2.20%.

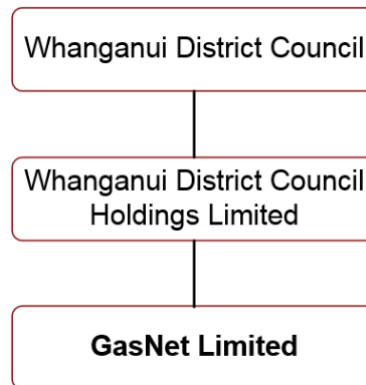
1.2 Quality Standards

GasNet has complied with both quality standards in respect to GasNet's response to the two Emergencies that occurred during the Assessment Period, with response times of 10 and 11 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 10,100 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.

DR

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2022	Approved: 18/12/2022	Version: 1.0
		Last Amended: N/A	
Responsible Manager: General Manager		Effective From: N/A	Page 3 of 11
		Review Due: N/A	

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 2017 [2017] NZCC 15 (“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 2021 to 30 September 2022.

This statement has been prepared on 21 November 2022.

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 2022 (ANR_{2022}) is equal to:

$$ANR_{2022} = (\sum_i P_{i,2021} \times Q_{i,2020} - (K_{2021} + V_{2021}) + (ANR_{2021} - NR_{2021})) \times (1 + \Delta CPI_{2022}) \times (1 - X)$$

Where:

$\sum_i P_{i,2021} \times Q_{i,2020}$	is the revenue from all Load Groups based on the 2020 quantities and the 2021 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,020,887 for the Fixed Charges and \$2,480,077 for the Variable Charges); and
K_{2021}	is the sum of all Pass-through Costs for the Pricing Year ending in 2021 as previously disclosed and shown in Appendix 2 (\$77,000 actual, \$74,000 budget); and
V_{2021}	is the sum of all Recoverable Costs for the Pricing Year ending in 2021, as previously disclosed and shown in Appendix 2 (\$nil); and
ANR_{2021}	is the Allowable Notional Revenue for the Pricing Period ending in 2021 (ANR_{2021}) as previously disclosed and shown in Appendix 2 (\$4,533,000); and
NR_{2021}	is the Notional Revenue for the Pricing Period ending in 2021 as previously disclosed and shown in Appendix 2 (\$4,442,000); and
ΔCPI_{2022}	is the derived change in the CPI to be applied for the pricing Period ending in 2019 being equal to:

$$\Delta CPI_{2022} = \frac{(CPI_{Jun\ 2020} + CPI_{Sep\ 2020} + CPI_{Dec\ 2020} + CPI_{Mar\ 2021})}{(CPI_{Jun\ 2019} + CPI_{Sep\ 2019} + CPI_{Dec\ 2019} + CPI_{Mar\ 2020})} - 1$$

$$= 0.0146$$

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

Therefore:

$$ANR_{2022} = \$4,581,000$$

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

DL

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2022	Approved: 18/12/2022	Version: 1.0
		Last Amended: N/A	
Responsible Manager: General Manager		Effective From: N/A	Page 4 of 11
		Review Due: N/A	

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 for the Pricing Year ending in 2022.

	Timing of Payments			
	Prior to 1 October 2021		1 October 2021 to 30 September 2022	
	Cost Incurred	Time Value Adjustments	Cost incurred	Total
Commerce Commission			\$47,000	\$47,000
Utilities Dispute Tribunal			\$6,000	\$6,000
Rates			\$58,000	\$58,000
	\$0	\$0	\$111,000	\$111,000

5.0 NOTIONAL REVENUE

In accordance with Clause 8.4 of the DPP Determination the Notional Revenue for the Pricing Period ending in 2022 (NR_{2022}) is equal to:

$$NR_{2022} = \sum_i P_{i,2022} \times Q_{i,2020} - (K_{2022} + V_{2022})$$

Where:

$\sum_i P_{i,2022} \times Q_{i,2020}$ is the revenue from all Load Groups based on the 2020 quantities and the 2022 prices for each individual Load Group as calculated in the Prices & Quantities Schedule in Appendix 1 (\$2,061,341 for the Fixed Charges and \$2,529,723 for the Variable Charges); and

K_{2022} is the sum of all Pass-through Costs for the Pricing Year ending in 2022 as calculated in Pass-through Costs (Section 4.0) above (\$111,000 actual, budget \$68,000); and

V_{2022} is the sum of all Recoverable Costs for the Pricing Year ending in 2022, which is nil as GasNet incurred no such costs.

Therefore:

$$NR_{2022} = \$4,480,000$$

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:

$$ANR_{2022} \geq NR_{2022}$$

Where:

ANR_{2022} is the Allowable Notional Revenue for the Pricing Period ending in 2022 as calculated above (\$4,581,000); and

NR_{2022} is the Notional Revenue for the Pricing Period ending in 2022 as calculated above (\$4,480,000); and

Therefore:

$$\$4,581,000; > \$4,480,000$$

So the condition is satisfied

DR

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2022	Approved: 18/12/2022	Version: 1.0
		Last Amended: N/A	
Responsible Manager: General Manager		Effective From: N/A	Page 5 of 11
		Review Due: N/A	

7.0 EMERGENCIES DURING THE ASSESSMENT PERIOD

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

On 11 April 2022 a contractor damaged a gas service pipe while clearing vegetation from beside a building when the bucket came into contact with a steel gas riser pipe and valve causing rupture and gas release. The Fire Service attended to assist and evacuated the adjacent supermarket building after gas concentrations were found inside.

An event occurred on 7 June 2022 in Whanganui when a contractor severed a polyethylene gas main with an excavator while installing utility ducts within the road corridor. In order to isolate the gas main, valves at surrounding intersections required turning off which in turn interrupted supply to 33 x ICP's. The Fire Service and Police assisted with evacuations and traffic control.

Date of Event	Type of Event	Emergency Criteria			Response Time
		Emergency Services Involved	Number of Supplies (ICP's) Affected	Properties Evacuated	
11 April 2022	Contractor damaged gas service pipe	Fire Service	-	Yes	10 mins
7 June 2022	Contractor damaged a gas main	Fire Service Police	33	Yes	11 mins

Average Response Time 11 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:

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

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

Where:

RTE is the total number of Emergencies in the Assessment Period (total count of 2 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 2 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 2 as stated above).

Therefore:

$$(i) \frac{RTE_{60}}{RTE} = \frac{2}{2} = 1 \geq 0.80 \text{ so condition is satisfied; and}$$

$$(ii) \frac{RTE_{180}}{(RTE - RTE_{excl})} = \frac{2}{(2-0)} = 1 \text{ so condition is satisfied.}$$

DR

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2022	Approved:	18/12/2022	Version: 1.0
		Last Amended:	N/A	
Responsible Manager: General Manager		Effective From:	N/A	Page 6 of 11
		Review Due:	N/A	

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.

DR

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2022	Approved: 18/12/2022	Version: 1.0
		Last Amended: N/A	
Responsible Manager: General Manager		Effective From: N/A	Page 7 of 11
		Review Due: N/A	

Appendix 1 – Price and Quantities Schedule

Load Group	Fixed Charges (\$ per day)				
	Q2020	P2021	P2022	P2021 x Q2020	P2022 x Q2020
G12	3614969	0.445	0.454	1608661.189	1640863.005
G50	41752	1.5	1.530	62628.115	63881.791
G180	12949	5.25	5.355	67984.249	69345.143
G450	2165	40	40.801	86596.603	88330.074
G1000 (C12323)	366	40.004	40.805	14641.464	14934.554
G1000 (C12329)	366	19.676	20.070	7201.416	7345.572
G1000 (C12337)	366	26.699	27.233	9771.834	9967.444
G1000 (C16459)	366	16.848	17.185	6166.368	6289.805
G1000 (C26262)	366	25.918	26.437	9485.988	9675.876
G1000 (C26444)	366	15.937	16.256	5832.942	5949.705
G1000 (C26779)	366	153.063	156.127	56021.058	57142.475
G1000 (C31266)	366	54.854	55.952	20076.564	20478.452
G1000 (C31778)	366	55.17	56.274	20192.220	20596.423
G1000 (C32121)	366	124.665	127.161	45627.390	46540.749
	3675495.337			2020887.400	2061341.067
				$\Sigma i P_i, 2021 \times Q_i, 2020$	$\Sigma i P_i, 2022 \times Q_i, 2020$
Load Group	Variable Charges (\$ per GJ)				
	Q2020	P2021	P2022	P2021 x Q2020	P2022 x Q2020
G12	241969	7.386	7.534	1787181.335	1822956.727
G50	41156	6.908	7.046	284306.138	289997.314
G180	68497	4.944	5.043	338647.388	345426.355
G450	105334	0.664	0.677	69942.071	71342.155
G1000 (C12323)	116730	0	0	0.000	0.000
G1000 (C12329)	55020	0	0	0.000	0.000
G1000 (C12337)	40287	0	0	0.000	0.000
G1000 (C16459)	1902	0	0	0.000	0.000
G1000 (C26262)	21002	0	0	0.000	0.000
G1000 (C26444)	105060	0	0	0.000	0.000
G1000 (C26779)	13213	0	0	0.000	0.000
G1000 (C31266)	239725	0	0	0.000	0.000
G1000 (C31778)	231250	0	0	0.000	0.000
G1000 (C32121)	6936	0	0	0.000	0.000
	1288080.781			2480076.933	2529722.552
				$\Sigma i P_i, 2021 \times Q_i, 2020$	$\Sigma i P_i, 2022 \times Q_i, 2020$
Sum of fixed and variable				4500964.333	4591063.619

DR

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2022	Approved:	18/12/2022	Version: 1.0
		Last Amended:	N/A	
Responsible Manager: General Manager		Effective From:	N/A	Page 8 of 11
		Review Due:	N/A	

Appendix 2 – Data from Previous Compliance Statements

The following supporting data, information and calculations were disclosed and published within the GasNet Limited “2021 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
K₂₀₂₁	is the sum of all Pass-through Costs for the Pricing Year ending in 2021	\$76,650 actual, \$74,000 budget
V₂₀₂₁	is the sum of all Recoverable Costs for the Pricing Year ending in 2021	\$nil
ANR₂₀₂₁	is the Allowable Notional Revenue for the Pricing Period ending in 2021	\$4,533,000
NR₂₀₂₁	is the Notional Revenue for the Pricing Period ending in 2021	\$4,442,000

DR

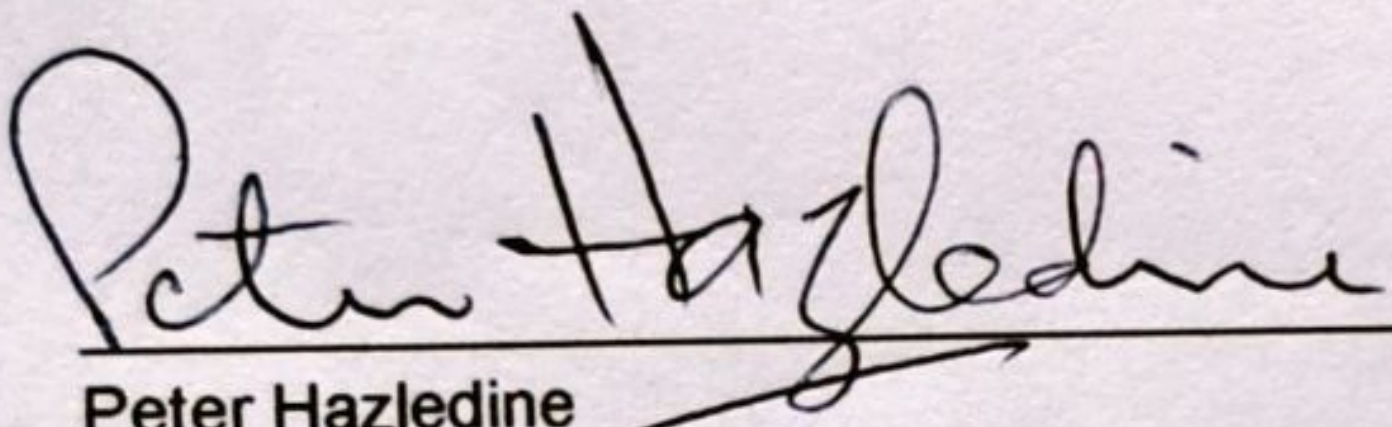
Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2022	Approved: 18/12/2022	Version: 1.0
		Last Amended: N/A	
Responsible Manager: General Manager		Effective From: N/A	Page 9 of 11
		Review Due: N/A	


Appendix 3 - Director Certification

(Pursuant to the Gas Distribution Services Default Price-Quality Path Determination 2017)

Schedule 7: Form of Directors' Certificate for Compliance Statement

We, Charles Peter Hazledine and David Rae 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 2017 has been prepared in accordance with all the relevant requirements.


Peter Hazledine
Director


David Rae
Director

19 - Dec - 2022
Date

Document No: GNM-011	Document Name: Annual DPP Compliance Statement – 30 September 2022	Approved: 18/12/2022	Version: 1.0
Responsible Manager:		Last Amended: N/A	
		Effective From: N/A	

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 2022
as required by the Gas Distribution Services Default Price-Quality Path
Determination 2017 NZCC 15**

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 2022 complies, in all material respects, with the Gas Distribution Services Default Price-Quality Path Determination 2017 NZCC 15 (the Determination).

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 clauses 11.2 and 11.3 of the Determination in preparing the Compliance Statement for the assessment period ended 30 September 2022.

Basis of opinion

We conducted our engagement in accordance with the Standard on Assurance Engagements (SAE) 3100 (Revised) Assurance Engagements on Compliance, issued by the New Zealand Auditing and Assurance Standards Board. An engagement conducted in accordance with SAE (NZ) 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 clause 11.1 and in accordance with the requirements in clauses 11.2 and 11.3 of the Determination.
- the 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 clause 11.2(d) and Schedules 8(1.2)(f) and 8(1.3) of the Determination, 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 2022, 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 clauses 11.2 and 11.3 of the Determination.

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 5 and 8 to 9 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 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 clauses 11.2 and 11.3 of the Determination may occur and not be detected. A reasonable assurance engagement throughout the assessment period does not provide assurance on whether compliance with clauses 11.2 and 11.3 of the Determination 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 clause 11.2(d) of the Determination 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 independence and ethical requirements of Professional and Ethical Standard 1 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, 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, the assurance engagement on the Information Disclosures and the annual audit of the Company's financial statements, 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
19 December 2022