



GasNet Limited

2023/24 Pricing Methodology Gas Distribution Network Services

Valid from 1 October 2023 to 30 September 2024

Pursuant to:

Gas Distribution Information Disclosure Determination 2012 – consolidated- 3 April 2018

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GNM-001	Pricing Methodology Gas Distribution Network – 1 October 2023	Last Amended:	31/08/2023	
Responsible Manager:		Effective From:	01/10/2023	Page 1 of 15
General Manager		Review Due:	31/07/2024	

Table of Contents

1.0 EXECUTIVE SUMMARY	3
2.0 BACKGROUND.....	4
2.1 <i>About GasNet.....</i>	4
2.2 <i>Supply Area Coverage.....</i>	4
2.3 <i>Regulatory Requirements</i>	4
2.3.1 <i>Pricing Principles</i>	4
2.3.2 <i>Revenue Requirements</i>	4
2.3.3 <i>Information Disclosure</i>	4
2.3.4 <i>Access to Determinations</i>	5
3.0 PRICING STRUCTURE.....	5
4.0 CONNECTION STATUS	5
5.0 PRICING METHODOLOGY	6
5.2 <i>Revenue Requirements</i>	6
5.3 <i>Asset Valuation</i>	6
5.4 <i>Revenue Allocation</i>	6
5.4.1 <i>Pricing Model</i>	6
5.4.2 <i>Allocation of Total Revenue Requirement.....</i>	7
5.4.3 <i>Cost Allocators.....</i>	7
6.0 2023/24 PRICING YEAR.....	9
6.1 <i>Revenue Requirements</i>	9
6.2 <i>Revenue Requirement Allocation to Load Groups</i>	9
6.3 <i>Prices for 2023/24 Pricing Year.....</i>	9
6.4 <i>Fixed and Variable Charge Apportionment</i>	9
7.0 PRICING METHODOLOGY ON-GOING REVIEW.....	10
8.0 SIGNIFICANT CHANGES TO THE PRICING METHODOLOGY	10
9.0 COMPLIANCE WITH THE PRICING PRINCIPLES	11
Appendix 1 - Network Services Price Schedule: Effective 1 October 2023	
Appendix 2 - Compliance with the Price Path	
Appendix 3 - Director Certification	

Document No: GNM-001	Document Name: Pricing Methodology Gas Distribution Network – 1 October 2023	Approved: 31/08/2023	Version: 9.0
		Last Amended: 31/08/2023	
Responsible Manager: General Manager		Effective From: 01/10/2023	Page 2 of 15
		Review Due: 31/07/2024	

1.0 EXECUTIVE SUMMARY

GasNet has agreed to adjust all network pricing charge values for the coming regulatory year commencing 1 October 2023.

This document is based on the new pricing structure and prices that apply to the pricing year commencing 1 October 2023. Information on the methodologies and pricing for previous years can be downloaded from GasNet's website at www.gasnet.co.nz/gasnet-disclosures.

This pricing covers GasNet's five discrete distribution systems already well-established in the Whanganui, Rangitikei and South Taranaki regions. The existing systems are small and have negligible difference in performance. As such prices are based on consolidation of assets and costs with prices applied evenly across all networks.

The pricing methodology is designed to demonstrate that GasNet's prices are consistent with the pricing principles and other regulatory obligations in the Gas Distribution Services Information Disclosure Determination 2012 – consolidated- 3 April 2018.

GasNet's annual target revenue requirement seeks the recovery of costs and an appropriate return on assets employed, expressed as follows:

$$\begin{array}{r} \text{Total} \\ \text{Revenue} \\ \text{Requirement} \\ \text{(TRR)} \end{array} = \begin{array}{r} \text{Return} \\ \text{on} \\ \text{Assets} \end{array} + \text{Depreciation} + \begin{array}{r} \text{Operating} \\ \text{Costs} \end{array} + \begin{array}{r} \text{Pass-} \\ \text{through} \\ \text{Costs} \end{array}$$

GasNet's pricing model separately allocates each component of the revenue requirement to each Load Group. This includes the allocation of consumers into the Load Groups.

Cost allocators employed are the number of consumers, throughput (GJ), hourly capacity demand and asset base replacement cost and depreciated replacement cost.

There have been no substantive changes to the pricing methodology since last year. Pricing is consistent with the NZCC DPP3 Determination of May 2022 which results in fixed/variable charges increasing by approximately 11.6%, together with slight rebalancing across fixed/variable parts to 50%/50%. The prices that apply for the 2023/24 Pricing Year are set out in the following table.

Load Group	2022/23 Pricing Year		2023/24 Pricing Year			
	Fixed (\$/day)	Variable (\$/GJ)	Fixed		Variable	
			(\$/day)	Change	(\$/GJ)	Change
G12	\$0.490	\$8.132	\$ 0.585	19.5%	\$ 8.527	4.9%
G50	\$1.652	\$7.606	\$ 1.974	19.5%	\$ 7.976	4.9%
G180	\$5.781	\$5.444	\$ 6.907	19.5%	\$ 5.708	4.9%
G450	\$44.042	\$0.731	\$ 52.628	19.5%	\$ 0.767	4.9%
G1000	Individually Priced		Individually Priced			

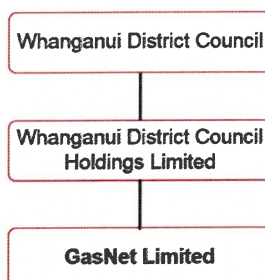
GasNet welcomes feedback from interested persons on any aspect of this Pricing Methodology document.

Document No:	Document Name:	Approved:	31/08/2023	Version: 9.0
GNM-001	Pricing Methodology Gas Distribution Network – 1 October 2023	Last Amended:	31/08/2023	
Responsible Manager: General Manager		Effective From:	01/10/2023	Page 3 of 15
		Review Due:	31/07/2024	

2.0 BACKGROUND

2.1 About GasNet

GasNet Limited is 100% owned by Whanganui District Council Holdings Limited.



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 GasNet Limited and its parent Wanganui Gas Limited were amalgamated to become GasNet Limited. GasNet Limited is an energy company under the Energy Companies Act 1992.

2.2 Supply Area Coverage

GasNet’s natural gas distribution network comprises approximately 10,100 connections across 5 discrete distribution systems located within the Whanganui, Rangitikei and South Taranaki regions serving the following areas:

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

Further information on these networks and their coverage can be found within GasNet’s Asset Management Plan which can be downloaded at www.gasnet.co.nz/gasnet-disclosures.

2.3 Regulatory Requirements

2.3.1 Pricing Principles

The Commerce Commission’s *Gas Distribution Services Input Methodologies Determination 2012* requires compliance of GasNet’s pricing and its methodology with specified pricing principles in addition to disclosure of the extent of consistency with the principles and reasons for any inconsistency. The pricing principles are provided in section 9.0 along with an explanation of how they are reflected in this pricing methodology.

2.3.2 Revenue Requirements

GasNet’s revenue requirement is established in accordance with the Commerce Commission’s *Gas Distribution Services Default Price-quality Path Determination 2022*.

2.3.3 Information Disclosure

The Commerce Commission’s *Gas Distribution Information Disclosure Determination 2012 – consolidated- 3 April 2018* requires GasNet and all other gas distribution businesses to publicly disclose at the beginning of each Pricing Year, the methodology used to determine the prices payable for the provision of gas distribution services.

Document No: GNM-001	Document Name: Pricing Methodology Gas Distribution Network – 1 October 2023	Approved: 31/08/2023	Version: 9.0
		Last Amended: 31/08/2023	
Responsible Manager: General Manager		Effective From: 01/10/2023	Page 4 of 15
		Review Due: 31/07/2024	

2.3.4 Access to Determinations

The latest version of the determinations referred to in 2.3.1, 2.3.2 and 2.3.3 above can be downloaded from the Commission's website at www.comcom.govt.nz.

3.0 PRICING STRUCTURE

The following table provides the Load Groups applicable from 1 October 2023.

Load Group	Criteria	Consumers (No.)	Throughput (GJ)
G12	Up to 12 scmh	9,913	226,269
G50	> 12 and <= 50 scmh	119	40,042
G180	> 50 and <= 180 scmh	37	61,615
G450	>180 scmh	4	39,020
G1000	Individually Priced	10	836,999
		10,083	1,203,945

Note: Shown Q data is for Q₂₀₂₂

4.0 CONNECTION STATUS

Each consumer connection on GasNet's network is identified by a unique identifier, known as an ICP (Installation Control Point), which is assigned a status code based on its connection status.

In the case of an ICP that has been disconnected there are a range of status codes reflecting the wide range of scenarios that could give cause for a disconnection. In this situation where an ICP is physically disconnected from the network and gas cannot flow, daily fixed charges do not apply.

The following table lists each status code and whether the fixed daily charges apply.

ICP Status Code	Valid Connection Status	Connection Status Code	Network Fixed Daily Charges Apply
NEW	Pre-activation, service has not yet been installed	NEW	✗
READY	Gas ready to flow	GIR	✗
ACTC	Gas able to flow	GAS	✓
ACTV	Gas able to flow	GAS	✓
	Gas temporary disconnect – GMS remains, service turned off at service valve or supply capped or plugged	GTD	✓
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	✗

Document No:	Document Name:	Approved:	31/08/2023	Version: 9.0
GNM-001	Pricing Methodology Gas Distribution Network – 1 October 2023	Last Amended:	31/08/2023	
Responsible Manager:		Effective From:	01/10/2023	Page 5 of 15
General Manager		Review Due:	31/07/2024	

5.0 PRICING METHODOLOGY

5.1 As the combined size of GasNet's gas distribution networks is small and as there are negligible differences in performance within or between each of the 5 existing discrete networks listed in section 2.2 above, there is no benefit in segmenting them into different pricing networks, sub-networks, or geographic areas. The Pricing Methodology and prices are therefore based on consolidation of assets and costs, with prices applied evenly across all networks.

5.2 Revenue Requirements

GasNet's annual target revenue seeks the recovery of costs and an appropriate return on the assets employed, expressed mathematically as follows;

$$\begin{array}{r} \text{Total} \\ \text{Revenue} \\ \text{Requirement} \\ \text{(TRR)} \end{array} = \begin{array}{r} \text{Return} \\ \text{on} \\ \text{Assets} \end{array} + \text{Depreciation} + \begin{array}{r} \text{Operating} \\ \text{Costs} \end{array} + \begin{array}{r} \text{Pass-} \\ \text{through} \\ \text{Costs} \end{array}$$

Where:

Return on Assets = up to a target return on the forecast Regulatory Asset Base (RAB),

Depreciation = the forecast Regulatory Asset Base (RAB) depreciation for the Pricing Year

Operating Costs = the forecast Operating Costs attributable to the network business over the Pricing Year but excluding Pass-through Costs

Pass-through Costs = the forecast operating costs to be paid during the Pricing Year that fall within the same definition in the *Gas Distribution Services Input Methodologies Determination 2012*, which for GasNet include, but are not limited to:

- Local and Regional Authority rates on GasNet's network assets payable under the Local Government (Rating) Act 2002; and
- Levies payable to the Commerce Commission under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005; and
- Levies payable as a member of the Utility Disputes Limited Scheme.

5.3 Asset Valuation

The 30 June 2018 RAB, has been applied in GasNet's Pricing Model for 2023/24 Pricing Year. This is used instead of a later RAB for consistency with the existing methodology as the data is used for allocation purposes only.

5.4 Revenue Allocation

5.4.1 Pricing Model

The pricing model separately allocates each component of the Revenue Requirement, as outlined in 5.2 above, to each Load Group using appropriate cost allocators, based on the following key processes:

- Identification of the Total Revenue Requirement to be recovered from fixed and variable charges, by cost component as outlined above in 5.2;
- Allocation of consumers into the Load Groups consistent with the structure discussed above in 3.0;

Document No: GNM-001	Document Name: Pricing Methodology Gas Distribution Network – 1 October 2023	Approved: 31/08/2023	Version: 9.0
		Last Amended: 31/08/2023	
Responsible Manager: General Manager		Effective From: 01/10/2023	Page 6 of 15
		Review Due: 31/07/2024	

- Input of the identifying characteristics for each Load Group (e.g. number of ICPs, GJ, MHQ, etc.) which are used to allocate costs;
- Allocation of each component of the Total Revenue Requirement to the Load Groups using cost of supply allocators (referred to in 5.4.2 and 5.4.3 below) in order to determine the revenue to be recovered from each Load Group;
- Once the revenue requirement for each Load Group is determined, specification of the proportion of fixed and variable prices in order to test alternative price options;
- Application of the price options developed for each Load Group across the throughput bands evident in each Load Group to test the impact on high/average/low use consumers within each Load Group; and
- Refinement of the price options as required in order to meet regulatory requirements, management of price shock, and implementation of pricing signals consistent with the pricing principles.

5.4.2 Allocation of Total Revenue Requirement

The Total Revenue Requirement is derived from the sum of different cost components as outlined in 5.2 above, each of which being allocated using a range of applicable allocators. Allocators are selected from available data and where such data is not available, proxies based on the underlying cost drivers.

The following table provides the cost allocators that have been applied to the cost components that comprise the Total Revenue Requirement.

Total Revenue Requirement Cost Item	Cost Allocator
Return on Assets	Depreciated Replacement Cost
Depreciation	Replacement Cost
Operating Costs	
<i>Direct</i>	Depreciated Replacement Cost
<i>Indirect</i>	Number of ICP's
Pass-through	Depreciated Replacement Cost

5.4.3 Cost Allocators

The Cost Allocators described in 5.4.2 above and others used within the Pricing Model in the determination of prices, are described in further detail as follows.

5.4.3.1 Number of Consumers (ICP's)

The number of ICP's within each Load Group is based on the number of consumers expected to be connected during the Pricing Year with an ICP Status Code of "ACTC" and "ACTV" in the Gas Registry.

The ICP inventory is then consolidated to provide the number of ICP's that are connected to each of the 3 network pressure systems (IP, MP & LP) within each Load Group, for further use in establishing the value of the assets allocated to each Load Group

5.4.3.2 Throughput (GJ)

The annual throughput for each Load Group is the consolidation of the throughput for each individual ICP (consumer)

5.4.3.3 Hourly Capacity Demand

For the purpose of allocating asset values to each Load Group the hourly capacity demands of the consumers within each group has

Document No: GNM-001	Document Name: Pricing Methodology Gas Distribution Network – 1 October 2023	Approved: 31/08/2023	Version: 9.0
		Last Amended: 31/08/2023	
Responsible Manager: General Manager		Effective From: 01/10/2023	Page 7 of 15
		Review Due: 31/07/2024	

been attributed by their MHQ adjusted to allow for diversity of consumer demand.

The largest population of consumers of all the Load Groups are those with the industry standard 6m³ entry level meter making up almost 96%, the majority of which are domestic. A capacity demand MHQ of 0.5 scmh has been assigned to the predominantly domestic population of consumers with these meters, based on the actual maximum hourly quantity consumed in a metered residential suburb of 92 consumers within GasNet's Whanganui network in 2012. Engineering judgements have been made to adjust the hourly capacity demand for all other Load Groups with the ratio of diversified MHQ progressively increasing as the capacity of the Load Groups increase and the number of consumers' decrease, until at the largest Load Group the capacity demand is very close to the actual rated capacity.

Note that the values for the G1000 Load Group are nil as this Hourly Capacity Demand cost allocator is used for asset allocation purposes only, and the G1000 Load Group has been allocated their share of the actual assets as outlined in 5.4.3.4 below.

5.4.3.4 Replacement Cost and Depreciated Replacement Cost

The 30 June 2018 Regulatory Asset Base (RAB) has been applied. This is used instead of a later RAB for consistency with the existing methodology as the data is used for allocation purposes only.

With the exception of the G1000 Load Group, assets are allocated to each Load Group based on their Hourly Capacity Demand on each of the 3 pressure systems within the networks (IP, MP & LP) as outlined in 5.4.3.3 above.

In the case of the G1000 Load Group, the assets for each individual ICP within the group are allocated on their share of the value of the specific assets utilised by each ICP from the Sales Gate to the GMS installation, plus an allocation for non-infrastructure assets, the latter treatment being consistent with that applied to the other Load Groups. This variation is necessary due to the distortion created by these ICP's being located close to the Sales Gate and with relatively high hourly capacity demands, which results in an over-allocation of asset value.

Based on the allocation methodology described above, the apportionment of asset values to Load Groups for the 30 June 2018 RAB are as follows:

Replacement Cost	Intermediate Pressure (IP)		Medium Pressure (MP)		Low Pressure (LP)		Total	
	\$	%	\$	%	\$	%	\$	%
G12	\$ 1,346	0.1%	\$ 2,753,825	24.7%	\$33,194,511	90.4%	\$ 35,949,682	72.9%
G50	\$ 26,432	1.8%	\$ 1,744,965	15.6%	\$ 2,640,409	7.2%	\$ 4,411,805	8.9%
G180	\$ 165,318	11.6%	\$ 4,085,772	36.6%	\$ 898,863	2.4%	\$ 5,149,952	10.4%
G450	\$ 456,546	31.9%	\$ 1,480,352	13.3%	\$ -	0.0%	\$ 1,936,898	3.9%
G1000	\$ 779,459	54.5%	\$ 1,099,988	9.9%	\$ -	0.0%	\$ 1,879,447	3.8%
	<u>\$1,429,099</u>		<u>\$11,164,903</u>		<u>\$36,733,782</u>		<u>\$49,327,785</u>	

Document No:	Document Name:	Approved:	31/08/2023	Version: 9.0
GNM-001	Pricing Methodology Gas Distribution Network – 1 October 2023	Last Amended:	31/08/2023	
Responsible Manager:		Effective From:	01/10/2023	Page 8 of 15
General Manager		Review Due:	31/07/2024	

Depreciated Replacement Cost	Intermediate Pressure (IP)		Medium Pressure (MP)		Low Pressure (LP)		Total	
G12	\$ 664	0.0%	\$ 1,481,664	13.3%	\$ 15,056,293	41.0%	\$ 16,538,622	33.5%
G50	\$ 13,051	0.9%	\$ 938,859	8.4%	\$ 1,197,631	3.3%	\$ 2,149,540	4.4%
G180	\$ 81,626	5.7%	\$ 2,198,303	19.7%	\$ 407,704	1.1%	\$ 2,687,633	5.4%
G450	\$ 225,420	15.8%	\$ 796,487	7.1%	\$ -	0.0%	\$ 1,021,907	2.1%
G1000	\$ 477,813	33.4%	\$ 746,766	6.7%	\$ -	0.0%	\$ 1,224,579	2.5%
	<u>\$ 798,574</u>		<u>\$ 6,162,079</u>		<u>\$ 16,661,628</u>		<u>\$ 23,622,281</u>	

6.0 2023/24 PRICING YEAR

6.1 Revenue Requirements

Based on current estimates of the cost components and the methodology outlined in 5.2 above, the Total Revenue Requirement for the 2023/24 Pricing Year is as shown in Appendix One.

6.2 Revenue Requirement Allocation to Load Groups

Based on the methodology and cost components outlined above, the Revenue Requirement for 2023/24 for each Load Group is as set out in the following table.

Load Group	Consumers Connected	Throughput (GJ)	2022/23 Pricing Year		2023/24 Pricing Year	
			Total Revenue	Total Revenue	Change	
G12	9,913	226,269	\$ 3,725,712	\$ 4,047,877	8.6%	
G50	119	40,042	\$ 401,494	\$ 404,833	8.3%	
G180	37	61,165	\$ 468,839	\$ 445,554	-5.0%	
G450	4	39,020	\$ 107,493	\$ 106,750	-0.7%	
G1000	10	836,999	\$ 214,139	\$ 255,884	19.5%	
	<u>10,083</u>	<u>1,203,945</u>	<u>\$ 4,917,677</u>	<u>\$ 5,260,898</u>	<u>7.0%</u>	

Note: Shown Q data is for Q₂₀₂₂

6.3 Prices for 2023/24 Pricing Year

The prices that apply from 1 October 2022 for the 2023/24 Pricing Year are set out in the following table, in Appendix 1 and can be downloaded from GasNet's website at www.gasnet.co.nz/disclosures.

Load Group	2022/23 Pricing Year		2023/24 Pricing Year			
	Fixed (\$/day)	Variable (\$/GJ)	Fixed		Variable	
			(\$/day)	Change	(\$/GJ)	Change
G12	\$0.490	\$8.132	\$ 0.585	19.5%	\$ 8.527	4.9%
G50	\$1.652	\$7.606	\$ 1.974	19.5%	\$ 7.976	4.9%
G180	\$5.781	\$5.444	\$ 6.907	19.5%	\$ 5.708	4.9%
G450	\$44.042	\$0.731	\$ 52.628	19.5%	\$ 0.767	4.9%
G1000	Individually Priced		Individually Priced			

6.4 Fixed and Variable Charge Apportionment

On aggregate the total revenue from fixed daily charges comprise 50.0% and the variable throughput charges 50.0% of the total annual Revenue Requirement for the 2023/24 Pricing Year based on the pricing indicated in section 6.3 above.

Document No: GNM-001	Document Name: Pricing Methodology Gas Distribution Network – 1 October 2023	Approved: 31/08/2023	Version: 9.0
Responsible Manager: General Manager		Last Amended: 31/08/2023	
		Effective From: 01/10/2023	Page 9 of 15
		Review Due: 31/07/2024	

7.0 PRICING METHODOLOGY ON-GOING REVIEW

Whilst the review of GasNet's pricing methodology in 2013 was considered to be a periodic review that would apply to the following five or more years (at least for the first regulatory period from 1 July 2013 to 30 September 2017), the methodology is subject to on-going review.

Changes that are minor by nature are referred to in the annual Pricing Methodology document produced by GasNet and published on its website prior to the commencement of the Pricing Year to which it applies. Significant changes to the methodology are subject to consultation with interested parties as considered appropriate for the change proposed.

8.0 SIGNIFICANT CHANGES TO THE PRICING METHODOLOGY

GasNet has not made any significant changes to its methodology. Due to the uncertainties created by the Climate Change Commission advice to Government and Government's decisions regarding Gas Transition Plan, and the NZ Commerce Commission's DPP3 Determination in May 2022, GasNet may consult with affected stakeholders during this price year period.

Document No: GNM-001	Document Name: Pricing Methodology Gas Distribution Network – 1 October 2023	Approved: 31/08/2023	Version: 9.0
		Last Amended: 31/08/2023	
Responsible Manager: General Manager		Effective From: 01/10/2023	Page 10 of 15
		Review Due: 31/07/2024	

9.0 COMPLIANCE WITH THE PRICING PRINCIPLES

GasNet is required under the IDD to describe the extent to which its pricing methodology is consistent with a set of gas distribution pricing principles. The table below summarises these pricing principles and how they are reflected in this pricing methodology.

Pricing Principle	Extent to which pricing methodology is consistent with pricing principles
(1) Prices are to signal the economic costs of service provision, by:	
(a) being subsidy free (equal to or greater than incremental costs, and less than or equal to standalone costs), except where subsidies arise from compliance with legislation and/or other regulation;	<p>Incremental costs are the additional upfront and ongoing costs GasNet face in connecting a new consumer to the network. This typically includes costs associated with connection assets, ongoing operations and maintenance costs specific to that consumer, and network augmentation costs.</p> <p>GasNet's capital contributions policy requires a capital contribution from new consumers when the incremental capital costs associated with a new connection exceed the present value of expected future revenues. The combination of capital contributions and gas distribution prices therefore ensures that our prices are in excess of incremental capital costs.</p> <p>Operating and maintenance expenditure is recovered through distribution prices. Our fixed charge, based on a daily charge, ensures that we at least recover some of these incremental costs regardless of throughput. Charges also increase with the capacity size of the connection, which aligns pricing to incremental operating costs associated with various connection sizes.</p> <p>Stand alone costs are the full cost a consumer would face in being supplied from an alternative gas distribution system or alternative form of supply. For gas, stand alone cost is most likely to represent the full cost of converting from gas to electricity, including the cost of replacing gas appliances. GasNet has set its prices and pricing structures mindful of the fact that consumers have alternative supply options. Our pricing, and commercial business proposition, seeks to incentivise consumers connecting, and remaining connected, to distributed gas.</p> <p>Large consumers may also have options to bypass the distribution network for alternative networks, particularly where the consumer is close to a gas sales gate. GasNet offers non-standard pricing contracts to a number of large sites. These non-standard pricing arrangements are individually priced but based on the same cost-based methodology as applied to other consumers. They reduce bypass risk by making it economic for these consumers to connect, and remain connected, to the network.</p>
(b) having regard, to the extent practicable, to the level of available service capacity; and	GasNet sets its consumer groups to align with standard load group types based on typical connection sizes. This aligns pricing with various end-consumer usage profiles and with the capacity of their connection assets, a key network cost driver.

Document No:	Document Name:	Approved:	31/08/2023	Version: 9.0
GNM-001	Pricing Methodology Gas Distribution Network – 1 October 2023	Last Amended:	31/08/2023	
Responsible Manager:		Effective From:	01/10/2023	Page 11 of 15
General Manager		Review Due:	31/07/2024	

Pricing Principle	Extent to which pricing methodology is consistent with pricing principles
(c) signalling, to the extent practicable, the impact of additional usage on future investment costs.	<p>GasNet's prices are based on a daily fixed supply charge and a throughput based tariff (in GJs).</p> <p>The throughput tariff ensures consumers that use more are charged more. This basic principle is effective in signalling the impact of additional usage on future investment costs.</p> <p>Similarly, the supply charge applying to each load grouping increases relative to the standard capacity size of the connection. This signals that larger connections typically have higher throughput and peak demand and therefore create higher investment costs.</p>
(2) Where prices based on 'efficient' incremental costs would under-recover allowed revenues, the shortfall should be made up by setting prices in a manner that has regard to consumers' demand responsiveness, to the extent practicable.	<p>GasNet's pricing is not based on willingness to pay or demand responsiveness considerations as this is not practicable to assess, but on load groupings based on typical connection sizes. We consider this most appropriately aligns with our investments in capacity, which is a key network cost driver.</p>
(3) Provided that prices satisfy (1) above, prices should be responsive to the requirements and circumstances of stakeholders in order to:	
(a) discourage uneconomic bypass;	<p>This principle allows for pricing and other incentives to discourage consumers bypassing GasNet's network to another supply alternative. As discussed above, GasNet seeks to discourage consumers bypassing the network in setting non-standard prices for large consumers close to a sales gate. This pricing recognises the alternative supply options these consumers have available to them.</p>
(b) allow negotiation to better reflect the economic value of services and enable consumers to make price/quality trade-offs or non-standard arrangements for services.	<p>This principle allows for negotiation over price in recognition of different levels of service or other arrangements of value to consumers.</p> <p>Price and quality trade-offs are primarily addressed under our capital contributions policy when scoping connection asset specifications. We are also always open to discussing non-standard pricing arrangements where appropriate.</p>
(4) Development of prices is transparent, promotes price stability and certainty for consumers, and changes to prices have regard to the effect on consumers.	<p>This methodology transparently sets out the approach we have adopted to determine prices for consumers connection to the network, and is publicly available via GasNet's website www.gasnet.co.nz.</p>

Document No:	Document Name:	Approved:	31/08/2023	Version: 9.0
GNM-001	Pricing Methodology Gas Distribution Network – 1 October 2023	Last Amended:	31/08/2023	
Responsible Manager:		Effective From:	01/10/2023	Page 12 of 15
General Manager		Review Due:	31/07/2024	

Appendix 1 – Network Services Price Schedule: Effective 1 October 2023

Network Services Price Schedule

Effective from 1 October 2023

Load Group	Capacity (m ³ /hr)		Number of Consumers 2022	Charge Type	Unit Charges	New Prices from 1 October 2023	Prices up to 30 September 2023
	More Than	Less than or Equal To					
G12	0	12	9,913	Fixed	\$/day	0.585	0.490
				Variable	\$/GJ	8.527	8.132
G50	12	50	119	Fixed	\$/day	1.974	1.652
				Variable	\$/GJ	7.976	7.606
G180	51	180	37	Fixed	\$/day	6.907	5.781
				Variable	\$/GJ	5.708	5.444
G450	Greater than 180		4	Fixed	\$/day	52.628	44.042
				Variable	\$/GJ	0.767	0.731

Notes

1. Shown Q data is for Q₂₀₂₂
2. All rates are exclusive of GST
3. Charges include a shift to 50% fixed/50% variable balance
4. Charges apply when the ICP Status Code in the Gas Registry is ACTC or ACTV
5. Additional information is available on our website www.gasnet.co.nz.

If you have any questions please email us at enquiries@gasnet.co.nz or call us at (06) 349 2050.

Document No: GNM-001	Document Name: Pricing Methodology Gas Distribution Network – 1 October 2023	Approved: 31/08/2023	Version: 9.0
		Last Amended: 31/08/2023	
Responsible Manager: General Manager		Effective From: 01/10/2023	Page 13 of 15
		Review Due: 31/07/2024	

Appendix 2 – Compliance with the Price Path

The following information is provided for informative purposes to demonstrate GasNet’s compliance of the Pricing Methodology and the Prices that apply from 1 October 2023 with the Commerce Commission “Gas Distribution Services Default Price-Quality Path Determination 2022”.

Allowable notional revenue for the Second Assessment Period (Schedule 3 of the DPP Determination)

Allowable Notional Revenue for 2024 (ANR₂₀₂₄)

ANR₂₀₂₄ is the Allowable Notional Revenue for the Pricing Period ending in 2024 being equal to:

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

Where:

$\sum P_{i,2023} \times Q_{i,2022}$ is the revenue from all Load Groups based on the 2022 quantities and the 2023 prices as calculated in the table (\$4,710,000)

K_{2023} is the sum of all Pass-through Costs for the Pricing Year ending in 2023 (\$0.057m)

V_{2023} 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 (\$4.871m)

NR₂₀₂₃ is the Notional Revenue for the Pricing Period ending in 2023 (\$4.861m)

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

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

Therefore:

ΔCPI_{2024} 0.071

X -0.055

and:

ANR₂₀₂₄ (\$m) \$ 5.269

Notional revenue for the Second Assessment Period (Clause 8.4(a) of the DPP Determination)

Notional Revenue for 2024 (NR₂₀₂₄)

NR₂₀₂₄ is the Notional Revenue for the Pricing Period ending in 2024 being equal to:

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

$\sum P_{i,2024} \times Q_{i,2022}$ is the revenue from all Load Groups based on the 2022 quantities and the 2024 prices (\$5,261,000)

K_{2024} is the sum of all Pass-through Costs for the Pricing Year ending in 2024 (\$0.054m)

V_{2024} is the sum of all Recoverable Costs for the Pricing Year ending in 2024 (nil)

Therefore:

NR₂₀₂₄ (\$m) \$ 5.207

Compliance with the Price Path (clause 8.3 of the DPP Determination)

Notional Revenue for each Assessment Period must not exceed the Allowable Notional Revenue for the Assessment Period, such that for the Assessment

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

Where:

ANR₂₀₂₄ is the Allowable Notional Revenue for the Pricing Period ending in 2023 as calculated above

NR₂₀₂₄ is the Notional Revenue for the Pricing Period ending in 2024 as calculated above

Therefore:

As Notional Revenue (NR) does not exceed Allowable Notional Revenue (ANR) the condition is satisfied

Document No: GNM-001	Document Name: Pricing Methodology Gas Distribution Network – 1 October 2023	Approved:	31/08/2023	Version: 9.0
		Last Amended:	31/08/2023	
Responsible Manager: General Manager		Effective From:	01/10/2023	Page 14 of 15
		Review Due:	31/07/2024	

Appendix 3 - Director Certification

(Pursuant to the Gas Distribution Information Disclosure Determination 2012 – consolidated- 3 April 2018)

Schedule 18: Certification for Disclosures at the Beginning of a Pricing Year

Clause 2.9.2

We, Charles Peter Hazledine, and

Mathew Doyle, being directors of GasNet Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) the following attached information of GasNet Limited prepared for the purposes of clause 2.4.1 of the Gas Distribution Information Disclosure Determination 2012 in all material respects complies with that determination.
- (b) The prospective financial or non-financial information included in the attached information has been forecast on a basis consistent with regulatory requirements or recognised industry standards.

Pet Hazledine
Director

Mathew Doyle
Director

31/8/23
Date

Document No:	Document Name:	Approved:	31/08/2023	Version: 9.0
GNM-001-	Pricing Methodology Gas Distribution Network – 1 October 2023	Last Amended:	31/08/2023	
Responsible Manager:		Effective From:	01/10/2023	Page 15 of 15
General Manager		Review Due:	31/07/2024	