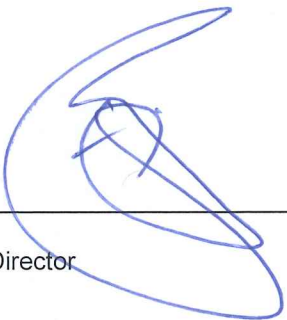


Gas Distribution Services Default Price-Quality Path 2017

Disclaimer: This document has been prepared to comply with the Commerce Act (Gas Distribution Services Default Price-Quality Path) Determination 2013. The information in this document has been prepared with all care and diligence, in good faith. Any reliance on the information contained in this document, actual or purported, is at the user's own risk.

Director's Certificate

I, John Houghton, being a director of Powerco Limited certify that, having made all reasonable enquiry, to the best of my knowledge and belief, the attached Compliance Statement of Powerco 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.



Director

23/11/2017

Date

Contents

1	Summary.....	5
2	Assessment against the Price Path.....	6
3	Assessment against the Quality Path.....	12
4	Amalgamation and Mergers and Acquisitions.....	14
5	Large transactions.....	14
6	Auditor's Report.....	15
7	Appendices.....	17

1 Summary

Powerco Limited's gas distribution business (Powerco) is subject to regulation under the Commerce Act 1986. Pursuant to the requirements of this Act, the Commerce Commission (Commission) has set a default price-quality path ("DPP") which applies to all non-exempt gas distribution businesses (GDBs) including Powerco.

The default price-quality path requirements are set out in the Gas Distribution Services Default Price-Quality Path Determination 2013 (the Determination). During the regulatory Period, Powerco must comply with the requirements of the Determination, in particular:

- a) the price path specified in clause 8; and
- b) the quality path specified in clause 9.

Clause 11 of the Determination requires Powerco to provide an Annual Compliance Statement (Statement) to the Commission and disclose information relevant to the assessment of its performance against allowable notional revenue (the price path) and against prescribed reliability standards for the time taken to respond to emergency calls.

As required by clause 11.2(a) of the Determination, this Statement confirms that Powerco has complied with the price path in clause 8 of the Determination and the quality standards in clause 9 of the Determination for this assessment period being 1 October 2016 to 30 September 2017.

Powerco is available to assist the Commission with its review of this Statement and will provide any additional information the Commission may request.

Powerco completed this Statement on 23 November 2017. A copy is available at Powerco's principal office (Powerco, Level 2, 84 Liardet Street New Plymouth). The Statement is published on Powerco's website (www.powerco.co.nz) and additional copies can be provided on request.

2 Assessment against the Price Path

The price path allows Powerco to increase its prices by the change in the consumer price index (CPI) stipulated in the *all Groups Index SE9A* as published by Statistics New Zealand, less the rate of change for gas distribution businesses (X factor) specified in Schedule 2 of the Determination. The X factor is set at zero. Authorisation costs, regulators’ levies and rates on system fixed assets are included as pass through costs.

Powerco has complied with the price path for this assessment period as demonstrated in Table 1.

For presentation purposes, the tables set out in section 2.1 are aggregates of the price and quantity information for each price group. More detailed information is contained in appendix A of this Statement.

2.1 Summary of Pricing Compliance Information

Clause 8.4 of the Determination states that to demonstrate compliance with the price path,

The notional revenue (NR_t) of the GDB must not exceed the allowable notional revenue (ANR_t) for the assessment period.

As demonstrated by the calculation in table 1, Powerco complies with the price path for the assessment period.

Table 1: Demonstrating compliance with the price path¹

DPP Requirement	Notional Revenue must not exceed Allowable Notional Revenue for the assessment period	Compliance test
DPP Expression	$ANR_t \geq NR_t$	
Powerco’s Result (\$000)	$\$50,546 \geq \$50,499$	Complies

2.2 Analysis of Allowable Notional Revenue and Notional Revenue

The DPP is based on a regulatory period of 4.25 years for Powerco. The 2017 assessment period is the fourth and final assessment period under the current default price quality path.

The test for compliance with the price path is shown in Tables 2 and 3.

¹ The figures in the pricing tables are in thousands of dollars. The underlying calculations are based on more detailed numbers (i.e. to more decimal places than shown in this document). This may cause rounding inconsistencies or discrepancies. These discrepancies do not affect the overall compliance calculations which are based on the more detailed information.

2.2.1 Calculating Allowable Notional Revenue

Notional Revenue is the product of each price during any part of the assessment period and the quantity for each price for the assessment period ending two years prior corresponding to that price.

Table 2: Calculating Powerco’s Allowable Notional Revenue (ANR)

Powerco’s Allowable Notional Revenue (ANR)	
$ANR_{2017} = (\sum_i P_{i,2016} Q_{i,2015} - (K_{2016} + V_{2016}) + (ANR_{2016} - NR_{2016}))(1 + \Delta CPI_{2017})(1 - X)$	
Calculation Components	Amount (\$000)
$P_{i,2016}, Q_{i,2015}$ represents the allowable notional revenue, prior to any adjustments, for the assessment period ending September 2017. This is the sum of all products of the 2016 prices for each lines service and corresponding quantities for the year ending September 2015.	\$52,322
K_{2016} is the sum of all pass-through costs included in pricing in the prior assessment period	(\$1,981)
V_{2016} is the sum of all recoverable costs included in pricing in the prior assessment period	(\$0)
$(ANR_{2016} - NR_{2016})$ represents the revenue differential adjustment, which is the difference between the allowable notional revenue and the notional revenue for the previous pricing period.	\$36
$1 + \Delta CPI_{2017}$ is the change in the consumer price index (CPI) stipulated in the “all Groups Index SE9A” as published by Statistics New Zealand and calculated in accordance with schedule 4 of the Determination	1.0033
$(1 - X)$ where X is the annual rate of change as specified in Schedule 2 of the Determination. For the 2013 to 2017 regulatory period X is set to zero.	1
ANR_{2017} is the total Allowable Notional Revenue for the 2017 assessment period.	\$50,546

2.2.2 Calculating Notional Revenue

Notional Revenue is the product of each price during any part of the assessment period and the quantity for each price for the assessment period ending two years prior corresponding to that price.

Table 3: Calculating Powerco’s Notional Revenue (NR)²

Powerco’s Notional Revenue (ANR)	
$NR_{2017} = (\sum_i P_{i,2017} Q_{i,2015} - (K_{2017} + V_{2017}))$	
Calculation Components	Amount (\$000)
<p>P_{i2017}, Q_{i2015} represents the notional revenue for the assessment period ending September 2017. This is the sum of all products of the 2017 prices for each lines service and corresponding quantities for the year ending September 2015.</p> <p>Refer appendix A for detail.</p>	\$53,037
<p>K_{2017} is the sum of all pass-through costs included in pricing for the assessment period</p>	(\$2,538)
<p>V_{2017} is the sum of all recoverable costs included in pricing for the assessment period</p>	(\$0)
<p>NR_{2017} is the total Notional Revenue for the 2017 assessment period.</p>	\$50,499

2.3 Determining Pass-through and Recoverable Costs

The Determination allows for the inclusion of pass-through and recoverable costs in pricing if they are ascertainable at the time prices are set and have not been previously recovered or will not be able to be recovered other than through prices.

Pass-through costs included in pricing under the DPP include—

- Any pass-through costs incurred under the gas authorisation (the Authorisation) and not included previously in pricing. The Authorisation provided an allowance for pass-through costs and any amounts incurred above or below this allowance are included in prices;
- Rates on system fixed assets;
- Gas Act levies;
- Commerce Act levies;
- Electricity and Gas Complaints Commissioner Scheme levies; and
- Levies under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005.

2.3.1 Pass-Through Costs included in Pricing

Powerco sets draft pricing in April each year and pricing is finalised in July to take effect on 1 October of that year. Costs known or ascertainable to the point pricing is finalised may be included in pricing. Therefore costs forecast to be used in pricing are actual costs incurred.

2.3.2 Authorisation Pass-through costs

In addition to the pass-through costs outlined in Table 4 below, Powerco has also included previously unrecovered Authorisation costs in 2017 pricing. The amount of previously unrecovered Authorisation costs included in 2017 pricing is shown in Table 5. The first assessment period under the DPP included the requirement that pass-through costs must be nil for the 2013 pricing period² and that Powerco pass-through the following costs in the 2014 pricing period—

1. Costs incurred during the Authorisation period³ not previously recovered; and
2. Pass-through costs incurred between July 2012 and June 2013 calculated as if the Authorisation continued until June 2013.

The only exception to this requirement is if the inclusion of these costs would result in price shocks to consumers. In this case, the amounts may be smoothed over the remainder of the DPP regulatory period.⁴

Powerco considered it could not pass through all costs incurred through to June 2013 in the 2014 pricing period and did not include \$80,192 of pass-through costs incurred. These costs have been included in pricing in the 2015 to 2017 pricing periods.

Powerco has included \$34,205 (adjusted for the time value of money) of unrecovered authorisation pass-through cost in 2017 pricing.

Tables 4 and 5 below provide a breakdown of the pass-through costs included in 2017 pricing.

Table 4: Calculation of Pass-through and Recoverable costs included in 2017 pricing

Pass through and recoverable costs	Pricing Period costs were incurred		
	2015	2016	Total
Rates	\$673,921	\$1,173,908	\$1,847,829
Commission Levies	\$259,410	\$166,462	\$425,871
EGCC levies	\$49,175	\$0	\$49,175
Costs relating to a CPP application	\$0	\$0	\$0
Claw back applied by the Commission	\$0	\$0	\$0
Pass through (K_t) and Recoverable costs (V_t) included in 2017 pricing	\$982,506	\$1,340,369	\$2,322,875
Time value of money adjustment⁵			

² Gas Distribution Services Default Price-Quality Path Determination 2013, clause 8.5(a)

³ The Authorisation period commenced on 1 January 2009 and ended on 1 July 2012.

⁴ The Regulatory Period under the DPP commenced on 1 July 2013 and ends on 30 September 2017.

⁵ As prescribed in equation 4 of schedule 5 of the Determination. A discount rate of 5.38% is applied to invoices from the pricing period in which they were paid by Powerco through to the pricing period when the pass-through costs and recoverable costs are recovered through prices.

Discount rate	5.38%	5.38%	
Amount of pass-through and recoverable costs paid in the period	\$982,506	\$1,340,369	
Total Pass-through and Recoverable costs included in 2017 pricing adjusted for the time value of money.	\$1,091,067	\$1,412,481	\$2,503,548

Table 5: Total Pass-through costs (including Authorisation costs) included in 2017 pricing

Component of Pass-through costs	\$ value
Pass through and recoverable costs adjusted for the time value of money	\$2,503,548
Authorisation Pass through costs adjusted for the time value of money	\$34,205
Total Pass-through costs	\$2,537,754

2.3.3 PASS-THROUGH COSTS USED TO CALCULATE ANR

The calculation of ANR incorporates the value of pass-through and recoverable costs included in pricing from the prior assessment period.

Table 6 provides a breakdown of the pass-through costs included in 2016 pricing that have been used to calculate 2017 ANR.

Table 6: Pass-through and Recoverable costs included in 2017 ANR

Pass through and recoverable costs	Total
Rates	\$1,499,408
Commission Levies	\$260,311
EGCC levies	\$41,612
Time value of money	\$146,739
Authorisation costs adjusted for the time value of money	\$32,459
Total Pass-through and Recoverable costs included in 2016 pricing and the calculation of 2017 ANR	\$1,980,529

2.4 Price Restructuring

The Determination specifies that any restructure of prices is required to be disclosed. Powerco considers a restructure of prices means either:

- a) combining two or more consumer groups into one consumer group;
- b) separating a consumer group into two or more new consumer groups; or
- c) adding a new consumer group.

Powerco has not restructured its pricing during this assessment period.

3 Assessment against the Quality Path

3.1 Summary of Quality Path Compliance Information

To demonstrate compliance with the quality standards Powerco must:

- a) Respond to 80% of emergencies within 60 minutes; and
- b) Respond to all emergencies within 180 minutes.

An emergency is defined under the Determination as being—

- An unplanned escape or ignition of gas that requires the active involvement⁶ of any emergency service (e.g. fire service or ambulance); or
- An unplanned disruption in the supply of gas that affects more than five ICPs; or
- An evacuation of a premises as the result of escape or ignition of gas.

Emergencies may be excluded from the dataset if the Commission has granted an exclusion in writing. Powerco has not requested any emergencies be excluded from the dataset for the third assessment period.

Powerco has complied with the reliability assessment response times to emergencies (RTE) as demonstrated in Table 7.

Table 7: Reliability results for this assessment period

DPP Requirement	Formulae	Powerco Result	2017 Outcome
The total number of emergencies in the assessment period where Powerco’s RTE was ≤ 60 minutes divided by the total number of emergencies in the assessment period	$\frac{RTE_{60}}{RTE_t} \geq 0.80$	$\frac{34}{34} = 1.0$	Complies with the quality standard
The total number of emergencies in the assessment period where Powerco’s RTE was ≤ 180 minutes, and divided by the total number of emergencies in the assessment period. Any emergencies exempted by the Commission are removed from the calculation.	$\frac{RTE_{180}}{RTE_t - RTE_{excl}} = 1$	$\frac{34}{34 - 0} = 1$	Complies with the quality standard

The assessed results are calculated from a dataset that covers the period 1 October 2016 to 30 September 2017. The incident data and calculations for the response times to emergencies are included in appendix E of this document.

Powerco confirms that for this assessment period it did not have any emergencies that the Commission determined may be excluded from the RTE values, nor does Powerco have any excluding requests pending a decision by the Commission for the assessment period.

⁶ Active involvement includes actions such as establishing safety cordons, the use of firefighting equipment or providing medical or first aid treatment.

3.2 Reliability Policies and Procedures

3.2.1 Recording emergency events

Each event affecting the gas distribution system reported to Powerco is recorded in Powerco's Outage Management System (OMS) by personnel in Powerco's Network Operations Centre (NOC). Data recorded includes:

- If the event is planned or unplanned
- Time of call
- Time of arrival of personnel onsite
- If emergency services are involved
- If premises are evacuated
- If Powerco's assets are involved
- Number of connections affected
- Event closure codes

The process of collecting and reviewing data for the calculation of the response time to emergencies metric is illustrated in flow diagrams held in appendix C of this document.

3.2.1.1 Initial Recording and Response

At the time of a call there are some factors that may not be apparent. Included in these are an accurate count of customers affected, the type of equipment that has failed, and confirmation that a gas leak has occurred. From time to time, the site may be evacuated sometime after the initial call to NOC.

Accordingly, Powerco initially classifies any call received from an emergency service as an emergency event. This is independent of any further action that the emergency service may or may not take.

Following the event, the responding field operative will call in any relevant event data to the NOC. It may not be until this point that a job meets one of the three criteria to be classified as an emergency. Conversely, it may be the case that an initial factor such as a reported smell of gas is not confirmed on site and evacuation or emergency services are not required.

3.2.1.2 Post Event Paperwork

The field operative records event data on a datasheet (form 390F140). This acts as a further record of the event details. These datasheets are held by the service provider and provided to Powerco. The forms are checked against entries in the OMS by the Gas operations team. This check typically verifies closure codes, customer counts, and times entered on the paperwork.

If required, the OMS records are updated. Changing OMS records is restricted to designated users.

3.2.1.3 Regular Emergency Response Checks and Reporting

OMS data is extracted daily to a data warehouse. RTE information is extracted from the data warehouse through a Business Objects reporting tool on a weekly and monthly basis for review. All records assessed as being an emergency are individually checked by the gas asset intelligence analyst.

The percentage of emergencies responded to within 60 minutes and within 180 minutes is calculated for the current month and on a cumulative financial year basis. These figures are compared to Powerco's internal targets and reported to the gas management team monthly. The cumulative results are reported in the management report to the Board as required.

The time taken to respond to an emergency is calculated as being the difference between the time stamped entry of the initial call to NOC and OMS entry, and the time recorded by the field operative as the on-site time.

3.2.1.4 Preparation for Disclosure

The Determination definition of emergency is narrower than that used by Powerco for internal reporting. Therefore the results from internal reporting are filtered to only select emergency events as defined in the Determination. As an example, any events that are not associated with Powerco distribution assets or minor faults where no emergency response was required are removed as these do not fall within the Determination definition of emergency.

3.2.1.5 Escalation of Exceptions

The gas asset intelligence analyst confirms Powerco remains compliant with the quality standard each week once the OMS checks have been completed. Any confirmed instance where the response time is greater than 180 minutes, or it is possible that less than 80% of emergencies have been responded to within 60 minutes, must be reported immediately to the –

- Gas Asset Strategy Manager
- Operations Manager (Gas)
- General Manager Gas
- Regulatory Assurance Manager
- General Manager Commercial and Regulatory

4 Amalgamation and Mergers and Acquisitions

Powerco has not completed any amalgamations, mergers or acquisitions in this assessment period.

5 Large transactions

Powerco has not transferred assets from or to another GDB that has resulted in a change of consumers or other parties supplied with gas distribution services during this assessment period, or completed a transaction that—

- creates an increase/decrease in regulatory investment value by more than 10%; or
- result in an increase/decrease of Powerco's revenue recovered through prices by more than 10%



**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF POWERCO LIMITED AND THE COMMERCE COMMISSION**

Report on the Annual Compliance Statement

We have been engaged by the Board of Directors of Powerco Limited (the 'Company') to conduct a reasonable assurance engagement that the information on pages 5 to 14 and 17 to 23, Sections 1, 2, 3, 4 and 5 and the related Appendices A to E of the Annual Compliance Statement ('the Annual Compliance Statement') of the Company for the period 1 October 2016 to 30 September 2017 have been prepared, in all material respects, in accordance with Clause 11 of the Gas Distribution Services Default Price-Quality Path Determination 2013 ('the Determination').

Board of Directors' Responsibility

The Board of Directors of the Company is responsible for the preparation of the Annual Compliance Statement in accordance with the Determination, and for such internal control as the Board of Directors determine is necessary to enable the preparation of the Annual Compliance Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Qualifications

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's compliance with the Annual Compliance Statement, in all material respects. Our engagement has been conducted in accordance with Standard on Assurance Engagements 3100: *Compliance Engagements* ('SAE 3100') issued by the External Reporting Board, to provide reasonable assurance that the Company has complied with the Determination.

A reasonable assurance engagement involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Compliance Statement. The procedures selected depend on the our judgement, including the assessment of the risks of material misstatement of the Annual Compliance Statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Annual 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. A reasonable assurance engagement also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the Annual Compliance Statement.

In relation to the Price Path Compliance Information set out in Clause 8 of the Determination, our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 5 to 14 and 17 to 23 of the Annual Compliance Statement.

In relation to the Quality Path Compliance Information for the Assessment Period ended on 30 September 2017 our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 5 to 14 and 17 to 23 of the Annual Compliance Statement.

Our audit also included an assessment of the significant estimates and judgments, if any, made by the Company in the preparation of the Annual Compliance Statement and assessment of whether the basis of preparation has been adequately disclosed.

These procedures have been undertaken to form an opinion as to whether the Company has complied, in all material respects, with the Determination for the period 1 October 2016 to 30 September 2017.

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



Inherent Limitations

Because of the inherent limitations in the evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period 1 October 2016 to 30 September 2017 and the procedures performed in respect of the Company's compliance with the Determination are undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the Company may not have complied with the Determination. The opinion expressed in this report has been formed on the above basis.

The interpretation of the Determination involves the exercise of professional judgement and in particular in relation to the discretions applied by management in preparing the Annual Compliance Statement. Accordingly, the facts, circumstances, assumptions and conclusions used in the Annual Compliance Statement may be viewed differently by others including the Commerce Commission.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than in our capacity as auditor and the provision of other assurance services including the audit of regulatory disclosure statements and trustee reporting, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company or any of its subsidiaries.

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Use of Report

This report is provided solely for your exclusive use and solely for the purpose of Clause 11.2(d) of the Determination. However we understand that a copy of this report has been requested by the Commerce Commission solely for the purpose above. We agree that a copy of our report may be provided to the Commerce Commission. This report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written consent. We accept or assume no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement including without limitation, liability for negligence in relation to the opinion expressed in our report.

Opinion

This opinion has been formed on the basis of, and is subject to, the inherent limitations outlined elsewhere in this independent assurance report.

In our opinion, the Annual Compliance Statement of the Company for the period 1 October 2016 to 30 September 2017, has been prepared, in all material respects, in accordance with the Determination.

Deloitte Limited

Chartered Accountants
23 November 2017
Wellington, New Zealand

7 Appendices

The following list of appendices provides further information supporting this compliance statement.

Appendix reference	Information provided
A – Calculating notional revenue	Provide the price and quantity information used in the calculation of notional revenue for the assessment period.
B – Authorisation Costs included in Pass through costs	Pass-through and recoverable costs used to calculate ANR and NR are described in tables 4-6 in section 2. Authorisation costs are only included in summary in section 2, and provided in detail in appendix B.
C – Recording the response time to emergencies statistics	Provides in flowchart format the process described in section 3.2.
D – Response time to emergency incidents	Provides data on RTE events.
E – Compliance references	Notes the compliance requirements from the Determination and where they are evidenced in this Compliance Statement.

7.1 Appendix A – Calculation Notional Revenue.

This table summarises the price and quantity information used in the calculation of Notional Revenue for the assessment period. Prices include pass-through and recoverable costs.

P2017 x Q2015 \$ 53,036,940

2017 Pricing Year (Oct 2016 - Sept 2017)								
Load Group	Price t (2017)		Quantity t-2 (2015)		Fixed Revenue	Variable Revenue	Total Revenue (\$)	
	Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)				
G06	2G06	\$0.0000	\$18.2135	1,089	15,725	\$0	\$286,407	\$286,407
G11	2G11	\$0.5752	\$5.0139	3,421	115,063	\$713,606	\$576,909	\$1,290,515
G12	2G12	\$1.2528	\$4.0615	161	46,773	\$73,389	\$189,968	\$263,357
G14	2G14	\$3.6601	\$3.4792	77	64,248	\$102,309	\$223,528	\$325,838
G16	2G16	\$4.5519	\$3.2862	63	120,706	\$104,530	\$396,668	\$501,198
G18	2G18	\$8.2693	\$3.2905	7	35,233	\$21,128	\$115,933	\$137,061
G30	2G30	\$20.4378	\$0.3157	4	15,775	\$29,839	\$4,980	\$34,819
G40	2G40	\$59.5076	\$0.3451	23	1,471,170	\$434,405	\$507,724	\$942,129
Totals				4,845	1,884,692	1,479,207	2,302,117	3,781,324

2017 Pricing Year (Oct 2016 - Sept 2017)								
Load Group	Price t (2017)		Quantity t-2 (2015)		Fixed Revenue	Variable Revenue	Total Revenue (\$)	
	Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)				
G06	5G06	\$0.0000	\$19.6589	5,327	83,985	\$0	\$1,651,060	\$1,651,060
G11	5G11	\$0.5823	\$6.1471	23,701	831,118	\$5,024,046	\$5,108,957	\$10,133,003
G12	5G12	\$0.9237	\$5.6328	610	113,523	\$205,156	\$639,447	\$844,602
G14	5G14	\$5.5064	\$5.7326	135	104,825	\$270,572	\$600,918	\$871,490
G16	5G16	\$9.0390	\$4.6220	44	119,443	\$144,777	\$552,068	\$696,845
G18	5G18	\$13.8854	\$4.4582	12	30,242	\$60,818	\$134,821	\$195,640
G30	5G30	\$9.1961	\$1.4348	23	85,095	\$53,705	\$122,091	\$175,796
G40	5G40	\$37.6350	\$1.6986	17	290,489	\$123,631	\$493,435	\$617,066
Totals				29,869	1,658,719	5,882,705	9,302,798	15,185,502

2017 Pricing Year (Oct 2016 - Sept 2017)								
Load Group	Price t (2017)		Quantity t-2 (2015)		Fixed Revenue	Variable Revenue	Total Revenue (\$)	
	Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)				
G06	3G06	\$0.0000	\$18.2135	5,157	71,218	\$0	\$1,297,125	\$1,297,125
G11	3G11	\$0.5752	\$5.0139	14,951	458,289	\$3,120,326	\$2,297,812	\$5,418,139
G12	3G12	\$1.3693	\$4.0770	321	86,259	\$160,092	\$351,676	\$511,768
G14	3G14	\$3.9807	\$3.9414	86	76,814	\$124,741	\$302,756	\$427,497
G16	3G16	\$5.2006	\$3.8913	73	124,738	\$138,496	\$485,396	\$623,893
G18	3G18	\$9.4733	\$3.4529	12	40,065	\$41,012	\$138,338	\$179,350
G30	3G30	\$24.4326	\$2.4344	11	110,014	\$71,343	\$267,818	\$339,161
G40	3G40	\$33.8115	\$1.5677	28	768,761	\$318,437	\$1,205,172	\$1,523,609
Totals				20,639	1,736,157	3,974,447	6,346,094	10,320,547

2017 Pricing Year (Oct 2016 - Sept 2017)								
Load Group	Price t (2017)		Quantity t-2 (2015)		Fixed Revenue	Variable Revenue	Total Revenue (\$)	
	Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)				
G06	6G06	\$0.0000	\$17.9707	5,595	83,815	\$0	\$1,506,203	\$1,506,203
G11	6G11	\$0.5752	\$4.4896	12,511	395,963	\$2,610,839	\$1,777,730	\$4,388,569
G12	6G12	\$1.8689	\$3.4286	191	56,806	\$129,929	\$194,764	\$324,694
G14	6G14	\$4.4902	\$1.7683	115	96,663	\$187,736	\$170,929	\$358,665
G16	6G16	\$6.3523	\$1.7002	36	67,171	\$83,469	\$114,203	\$197,672
G18	6G18	\$10.2928	\$1.6296	12	60,211	\$45,083	\$98,121	\$143,204
G30	6G30	\$9.4811	\$3.5940	7	13,696	\$10,382	\$49,222	\$59,604
G40	6G40	\$75.9537	\$0.4498	18	730,324	\$499,016	\$328,520	\$827,536
Totals				18,485	1,504,648	3,566,454	4,239,692	7,806,146

2017 Pricing Year (Oct 2016 - Sept 2017)								
Load Group	Price t (2017)		Quantity t-2 (2015)		Fixed Revenue	Variable Revenue	Total Revenue (\$)	
	Fixed \$/day	Variable (\$/GJ)	Avg no of ICPs	Vol (GJ)				
G06	4G06	\$0.0000	\$19.6589	7,706	104,617	\$0	\$2,056,655	\$2,056,655
G11	4G11	\$0.5823	\$6.1471	21,625	909,816	\$4,577,688	\$5,592,730	\$10,170,418
G12	4G12	\$0.9599	\$5.9847	450	126,552	\$157,196	\$757,370	\$914,566
G14	4G14	\$6.0373	\$5.7373	117	82,766	\$256,639	\$474,853	\$731,491
G16	4G16	\$8.7783	\$5.1001	69	118,210	\$220,012	\$602,880	\$822,892
G18	4G18	\$13.4964	\$4.9174	10	30,425	\$49,070	\$149,613	\$198,683
G30	4G30	\$10.9379	\$1.7833	82	265,178	\$239,539	\$472,895	\$712,434
G40	4G40	\$24.0603	\$0.6216	15	385,563	\$96,602	\$239,684	\$336,286
Totals				30,074	2,023,126	5,596,746	10,346,680	15,943,426

7.2 Appendix B – Authorisation costs included in Pass-through and recoverable costs

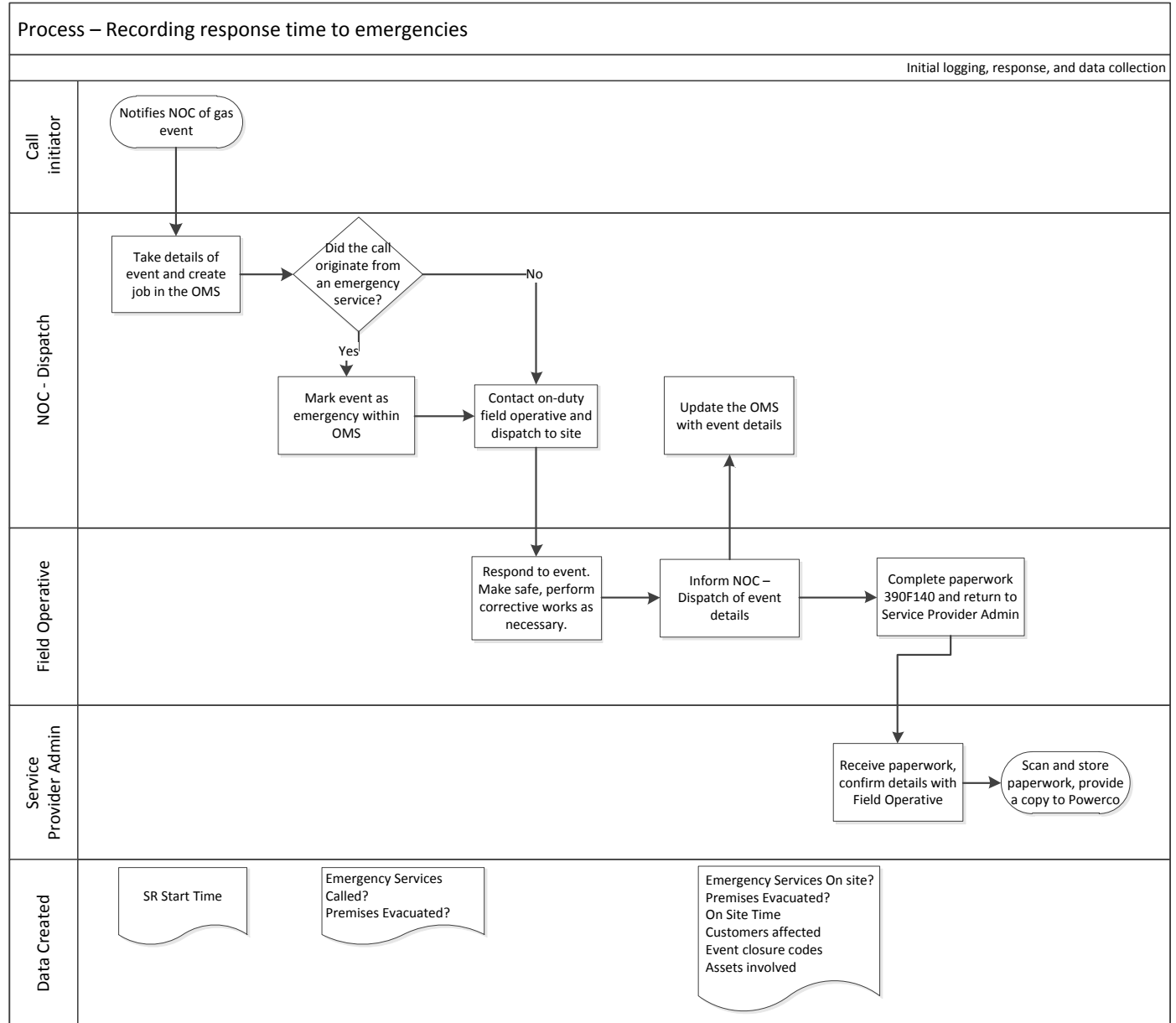
	Pricing Period (Year ending September)		Total Authorisation Costs Incurred July 2011 to June 2012		Pricing Period (Year ending September)		Total Authorisation Costs Incurred July 2012 to June 2013		Total Authorisation Costs included in 2014 Prices	Pricing Period (Year ending September)		Total Authorisation Costs Incurred July 2012 to June 2013		Total Authorisation Costs included in 2015 Prices
	2011	2012	2012	2013	2012	2013	2012	2013		2012	2013			
To 30 June														
Local Authority Rates														
Allowance in Authorisation	311,000	933,000	1,244,000	311,000	933,000	1,244,000	2,488,000							
Actual Amount	294,623	970,035	1,264,657	356,419	969,190	1,325,609	2,590,266							
Increase (decrease) from allowance	-16,377	37,035	20,657	45,419	36,190	81,609	102,266							
Previously claimed? (Y/N)	N	N		N	N									
Difference claimed in this application	-16,377	37,035		45,419	36,190	81,609	102,266							
Levy under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005														
Allowance in Authorisation	75,000	225,000	300,000				300,000	75,000	225,000	300,000				
Actual Amount	161,611	484,662	646,274	To be included in 2015 Prices			646,274	131,118	249,073	380,192				
Increase (decrease) from allowance	86,611	259,662	346,274				346,274	56,118	24,073	80,192				
Previously claimed? (Y/N)	N	N						N	N					
Difference claimed in this application	86,611	259,662	346,274				346,274	56,118	24,073	80,192				
Electricity and Gas Complaints Commissioner Scheme membership levy														
Allowance in Authorisation	3,332	9,995	13,327	3,332	9,995	13,327	26,654							
Actual Amount	0	40,526	40,526	0	43,220	43,220	83,746							
Increase (decrease) from allowance	-3,332	30,531	27,199	-3,332	33,224	29,893	57,092							
Previously claimed? (Y/N)	N	N		N	N									
Difference claimed in this application	-3,332	30,531	27,199	-3,332	33,224	29,893	57,092							
Levies under section 53ZE of the Commerce Act 1986 (as continued in force by section 55G of that Act)														
Allowance in Authorisation														
Actual Amount														
Increase (decrease) from allowance	0	0	0	0	0	0	0							
Previously claimed? (Y/N)	N	N		N	N									
Difference claimed in this application	0	0	0	0	0	0	0							
Levies (if any) under the Gas Act 1992														
Allowance in Authorisation	0	0	0	0	0	0	0							
Actual Amount	0	0	0	0	0	0	0							
Increase (decrease) from allowance	0	0	0	0	0	0	0							
Previously claimed? (Y/N)	N	N		N	N									
Difference claimed in this application	0	0	0	0	0	0	0							
Audit fees for issuing reports in Forms 2 and 10 of Schedule 7 of the Authorisation														
Allowance in Authorisation	0	0	0	0	0	0	0							
Actual Amount	0	20,000	20,000	0	0	0	20,000							
Increase (decrease) from allowance	0	20,000	20,000	0	0	0	20,000							
Previously claimed? (Y/N)	N	N		N	N									
Difference claimed in this application	0	20,000	20,000	0	0	0	20,000							
Total to be recovered	66,902	347,228	414,130	42,088	69,414	111,502	525,632	56,118	24,073	80,192				
amount per year (2015 to 2017)								18,706	8,024	26,731				
Time Value of Money calculation under the DPP (schedule 5 clause 9)														
Discount Rate	5.38%	5.38%	5.38%	5.38%	5.38%			5.38%	5.38%					
Invoices above paid in pricing period														
Rates	204,937	1,059,721	1,264,657	277,849	1,047,760	1,325,609								
Commerce Act levies	161,611	484,662	646,274			0		18,706	8,024	26,731				
EGCC Levies	0	40,526	40,526	0	0	0								
Audit fees	0	20,000	20,000	0	43,220	43,220								
Less Allowance	-389,332	-1,167,995	-1,557,327	-314,332	-942,995	-1,257,327								
Total subject to TVM	22,784	436,914	414,130	36,483	147,984	111,502		18,706	8,024	26,731				
Period recovered in prices	2014	2014		2014	2014			2015	2015					
Total Authorisation Costs to Pass Through	26,662	485,190	458,528	40,514	155,946	115,432	573,960	21,891	8,911	30,802				30,802

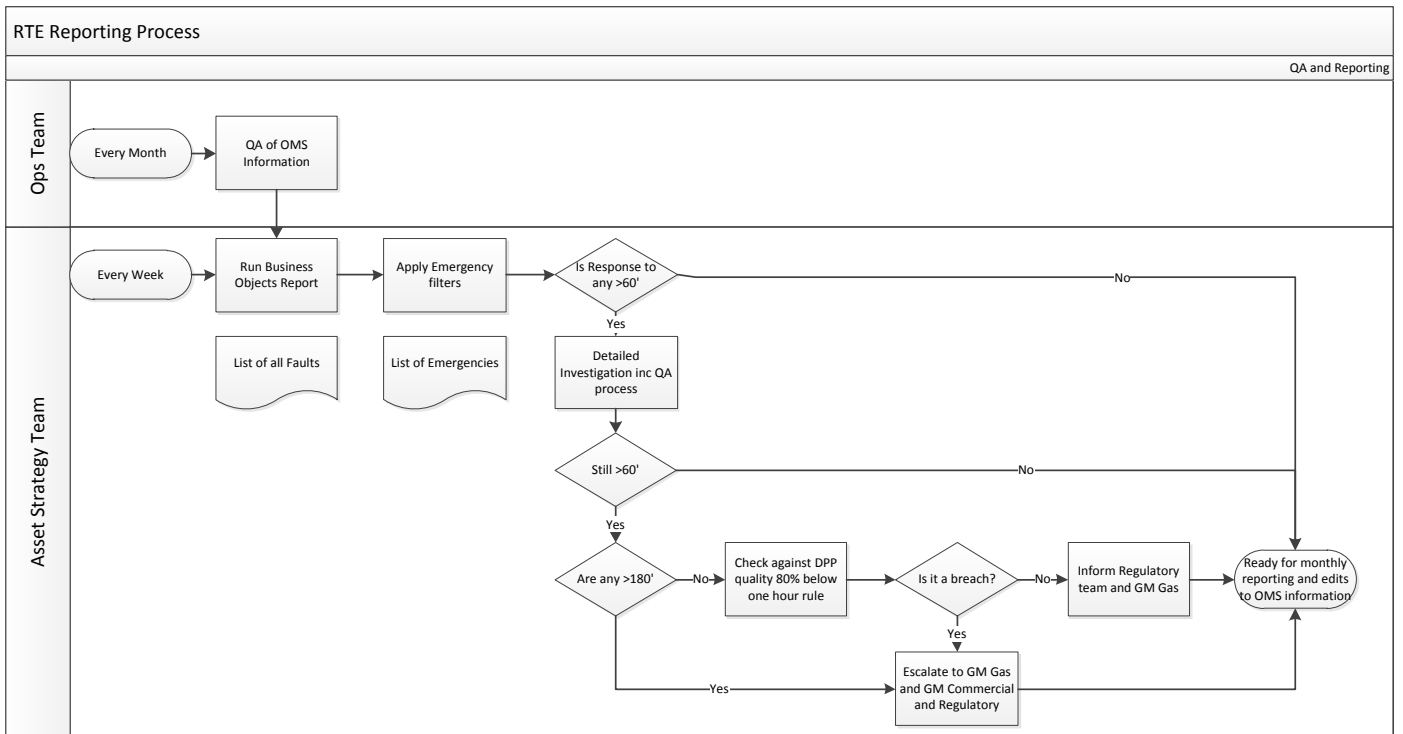
Total Adjusted amount of Authorisation pass through costs to recover over remaining regulatory period (1 October 2014 to 30 September 2017 being 3 pricing years)
 And adjustd for the time value of money

2015	\$	30,802
2016	\$	32,459
2017	\$	34,205

7.3 Appendix C – Recording the response time to emergencies statistics

The process of collecting and reviewing data for the calculation of the response time to emergencies metric is in diagram 1 and diagram 2 below. Diagram 1 describes the process steps to collect interruption information and recording response time to emergencies. Diagram 2 describes the review process undertaken to ensure the information recorded is correct.





7.4 Appendix D – RTE incident data

Total Events:	34
Active involvement of emergency services:	24
Evacuation Events:	9
Emergency & Evacuation:	7
Customers Affected>5:	8
# Responded to within 1Hr:	34
# Responded to within 3Hr:	34
%Responded to within 1Hr:	100%
%Responded to within 3Hr:	100%

Work Order ID	Active involvement of emergency services?	Premises Evacuated?	# Customers Affected	Time emergency is reported	On Site Time	Time from when emergency is reported to OnSite Time	1.Equipment	2. Reason	3. Action
14094356	Y	N	0	19/10/2016 17:19	19/10/2016 17:37	0:00:17:58	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	E - EQUIPMENT REPLACE/REPAIR
14759895	Y	Y	1	24/11/2016 9:28	24/11/2016 9:50	0:00:21:58	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
14766790	Y	N	1	24/11/2016 21:45	24/11/2016 21:52	0:00:06:28	M - MP (MEDIUM PRESSURE)	A - LEAK CLASS 1	T - THIRD PARTY DAMAGE
14886795	N	N	6	02/12/2016 14:41	02/12/2016 14:41	0:00:00:00	M - MP (MEDIUM PRESSURE)	B - LEAK CLASS 2	E - EQUIPMENT REPLACE/REPAIR
15259621	Y	N	0	20/12/2016 13:48	20/12/2016 14:03	0:00:15:51	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
15491107	Y	Y	1	14/01/2017 13:43	14/01/2017 14:31	0:00:47:56	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
15802690	Y	Y	2	31/01/2017 22:25	31/01/2017 22:30	0:00:04:04	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	E - EQUIPMENT REPLACE/REPAIR
16103064	N	N	11	27/02/2017 8:49	27/02/2017 9:29	0:00:39:44	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
16114939	Y	N	1	01/03/2017 10:04	01/03/2017 10:15	0:00:10:27	S - SERVICE PIPE	A - LEAK CLASS 1	T - THIRD PARTY DAMAGE
16160912	N	N	7	07/03/2017 10:54	07/03/2017 10:55	0:00:00:54	D - DRS (DISTRICT REGULATOR STATION)	E - EQUIPMENT FAULT	E - EQUIPMENT REPLACE/REPAIR
16246366	N	N	8	13/03/2017 10:35	13/03/2017 11:00	0:00:24:46	M - MP (MEDIUM PRESSURE)	B - LEAK CLASS 2	T - THIRD PARTY DAMAGE
16263343	Y	N	0	14/03/2017 15:38	14/03/2017 16:00	0:00:21:08	S - SERVICE PIPE	B - LEAK CLASS 2	T - THIRD PARTY DAMAGE
17055892	Y	N	1	05/04/2017 20:38	05/04/2017 21:05	0:00:26:01	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	E - EQUIPMENT REPLACE/REPAIR
17292098	N	Y	1	19/04/2017 14:53	19/04/2017 15:32	0:00:38:01	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
17329513	Y	Y	0	24/04/2017 17:59	24/04/2017 18:15	0:00:15:11	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	C - CAP SERVICE
17467035	N	N	10	13/05/2017 17:13	13/05/2017 17:41	0:00:28:19	D - DRS (DISTRICT REGULATOR STATION)	N - NO GAS	Q - RE-SET OPSO VALVE
17484676	Y	Y	0	16/05/2017 10:33	16/05/2017 10:34	0:00:00:15	M - MP (MEDIUM PRESSURE)	A - LEAK CLASS 1	T - THIRD PARTY DAMAGE
17848951	Y	Y	1	09/06/2017 2:52	09/06/2017 3:10	0:00:17:07	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
17887643	N	Y	0	14/06/2017 9:51	14/06/2017 10:05	0:00:13:28	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
17948054	Y	N	1	17/06/2017 14:24	17/06/2017 14:40	0:00:15:01	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
18143788	Y	N	1	22/06/2017 10:08	22/06/2017 10:30	0:00:21:43	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
18180001	Y	Y	2	26/06/2017 1:46	26/06/2017 2:00	0:00:14:37	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
18195005	Y	N	1	27/06/2017 15:59	27/06/2017 16:06	0:00:07:26	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	X - DETERIORATION/AGE
18212573	Y	N	0	29/06/2017 11:04	29/06/2017 11:08	0:00:03:52	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	X - DETERIORATION/AGE
18307584	Y	N	1	07/07/2017 12:49	07/07/2017 13:00	0:00:10:29	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
18349382	N	N	6	10/07/2017 9:39	10/07/2017 9:40	0:00:00:02	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	E - EQUIPMENT REPLACE/REPAIR
18558238	N	N	6	20/07/2017 9:29	20/07/2017 9:29	0:00:00:19	M - MP (MEDIUM PRESSURE)	R - PUBLIC REPORTED ESCAPE/SMELL	E - EQUIPMENT REPLACE/REPAIR
18762947	Y	N	0	01/08/2017 12:15	01/08/2017 12:50	0:00:35:10	M - MP (MEDIUM PRESSURE)	A - LEAK CLASS 1	T - THIRD PARTY DAMAGE
18773344	Y	N	2	02/08/2017 11:12	02/08/2017 11:30	0:00:18:11	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
18959603	Y	N	1	18/08/2017 9:20	18/08/2017 9:45	0:00:24:57	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
19050023	Y	N	0	25/08/2017 10:04	25/08/2017 10:16	0:00:11:31	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
19091374	Y	N	0	31/08/2017 12:46	31/08/2017 13:07	0:00:20:24	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE
19596500	N	N	258	13/09/2017 12:33	12/09/2017 9:00	0:00:00:00	M - MP (MEDIUM PRESSURE)	N - NO GAS	T - THIRD PARTY DAMAGE
19643751	Y	N	1	19/09/2017 10:24	19/09/2017 10:55	0:00:30:45	S - SERVICE PIPE	R - PUBLIC REPORTED ESCAPE/SMELL	T - THIRD PARTY DAMAGE

7.5 Appendix E – Compliance References

Clause	Requirement	Section
Aggregate Pricing		
8.4	Notional revenue for the assessment period must not exceed the allowable notional revenue for the assessment period	2.1
Quality		
9	Powerco must respond to emergency calls within an hour at least 80% of the time, and respond to all emergency calls within 3 hours except in instances where the Commission has confirmed the emergency call may be excluded from the quality calculation	3.1
Amalgamations, Mergers and Acquisitions		
10.1	If Powerco completes an amalgamation, merger or acquisition with another GDB subject to a DPP then the ANR and NR, and the total number of emergencies of the GDBs are summed.	4
10.2	If Powerco completes a transaction that involves a transfer of assets to or from another GDB subject to a DPP or customised price path that results in any consumer being supplied by a different GDB the GDB must increase or decrease the ANR and NR for the assessment period following the requirements specified in Schedule 6 of the Determination	5
10.4	If Powerco completes a transaction that increases/decreases the value of its regulatory investment value by more than 10% or increases/decreases its revenue recovered through prices by more than 10% in the assessment period, Powerco must notify the Commission within 30 days of the completion of the transaction	5
Annual Compliance Statement		
11.1	An Annual Compliance Statement must be provided to the Commerce Commission within 50 working days of each assessment period and be publicly available on Powerco's website. The compliance statement must include:	
11.2(a)	A Statement regarding compliance with the price path and quality standards.	1
11.2(b)	state the date on which the statement was prepared	1
11.2(c)	include a certificate in the form set out in Schedule 7 of the determination, signed by at least one Director of Powerco.	P.3
11.2(d)	be accompanied by a report on the Compliance Statement that is signed by an Auditor and is in the form set out in Schedule 8 of the Determination.	6
11.3(a)	Demonstrate whether Powerco has complied with the price path including: The amount of ANR and the amount of NR (including prices, quantities and units of measurement associated with the numeric data). Any other relevant data, information and calculations should also be included; The amounts of pass-through and recoverable costs that were used to calculate ANR and NR and supporting data, information and calculations used to determine those amounts including when each pass-through cost and recoverable cost amount was paid and the period to which those costs relate; and if Powerco has not complied with the price path, the reasons for the non-compliance	2.1, 2.2, Appendix A 2.3 and Appendix B N/A
11.3(b)	Demonstrate whether Powerco has complied with the quality path including: relevant incident data and calculations; a description of policies and procedures which Powerco has used for recording the RTE statistics for the assessment period; a list of all emergencies that the Commission has determined may be excluded from Powerco's RTE values, and any exclusion requests that are pending a decision by the Commission for the Assessment Period; If Powerco has not complied with a quality standard, the reasons for not meeting the quality standard; and Where a quality standard has not been met, for each Emergency which exceeded the RTE for the quality standard, a description of the emergency including the nature, cause and location and the number of consumers affected by the Emergency.	3.1 and Appendix D 3.2 and Appendix C 3.1 N/A N/A
11.4 (a)	If Powerco has restructured its prices during a pricing period, the compliance statement must state the applicable pricing period in which the restructure of prices has occurred.	2.4
11.4(b)	If Powerco has restructured its prices during a pricing period, and there is no quantity for t-2 that relates to a restructured price, Powerco must provide information demonstrating how it has complied with the price path in clause 8.	2.4
11.5	State whether or not Powerco has been involved in an amalgamation, merger, acquisition or transfer of assets during the assessment period and whether Powerco has subsequently complied with clause 10 of the Determination including any information or calculations that are reasonably required to demonstrate compliance with that clause.	4