

## **GAS DPP RESET 2017 - QUESTIONS FOR SUPPLIER EVIDENCE STAGE OF FORECASTING EXPENDITURE PROCESS**

### **FIRST GAS DISTRIBUTION**

1. With reference to First Gas' 2016 AMP forecast material and historical Vector ID information, we request the following information from First Gas please:
  - 1.1 Additional explanation for the step changes and quantum of system growth and consumer connection expenditure forecast.

#### *Clarification of Q1.1 provided to First Gas on Monday 7 November*

*We have identified two areas where you might provide further clarification regarding Q1.1 (First Gas Distribution).*

*The first area is that we have identified a significant step change in the system growth capex and consumer connection capex expenditure between 2016 and 2017. We have searched your AMP for support of this step change in expenditure but could not find an adequate explanation. There is some commentary in section 5.8, Appendix F and section 8.3 of your 2016 AMP about system growth capex in general but the step change between 2016 and 2017 remains unexplained. Additionally there is some commentary in section 5.7.2 and section 8.4 of your 2016 AMP that briefly discusses customer connections capex but there is no explanation for the step change increase in expenditure.*

*The second area that we are seeking further supporting information regards the drivers for the sustained increases in system growth capex and consumer connection capex over the 2017 to 2021 forecast period. While new customer connections are forecast to increase by only 0.3% and gas volumes forecast to increase by only 0.29%, system growth capex and customer connection capex are predicted to require an additional \$13.5m and \$16.4m of total expenditure respectively over the 2017-2021 period. We searched your 2016 AMP for an explanation of these quanta of expenditures but could find nothing that adequately explained the lack of correlation with tradition gas pipeline growth indicators such as volumes and/or new connections.*

- 1.2 Some commentary on why, when compared to the former Vector non-Auckland gas distribution network, the First Gas distribution network is reduced by 400 km and has 4,500 fewer ICPs. In the First Gas 2016 AMP there is no explicit explanation for how the asset boundaries have changed post-sale.

- 1.3 Explanation of the reason for the absence of expenditure in the reliability, safety and environment capex category of First Gas's forecast information, ie, is it included elsewhere?

## **FIRST GAS TRANSMISSION**

1. With reference to First Gas' 2016 AMP forecast material and historical Vector and MDL ID information, we request the following information from First Gas please:

- 1.1 Additional explanation for the increase in the routine and corrective maintenance and inspection opex expenditure forecast, particularly between 2019 and 2021.

### *Clarification of Q1.1 provided to First Gas on Monday 7 November*

*We have identified one area where you might provide further clarification regarding Q1.1 (First Gas Transmission).*

*We have identified that the quantum of routine and corrective maintenance and inspections opex expenditure between 2019 and 2021 is unsupported by commentary in your 2016 AMP. While there appears to be a credible explanation for the \$6.1m increase in this expenditure category between 2017 and 2018 (removal of asbestos, maintenance strategic review, and a full geo-hazard risk assessment) a similar level of explanation did not support the ongoing expenditure between 2019 and 2021.*

- 1.2 Explanation of the reason for the absence of expenditure information in the asset replacement and renewal opex category of First Gas' forecast information.
- 1.3 Explanation of the reason why there is an absence of expenditure information in the reliability, safety and environment capex category of First Gas' forecast information.