

File note – Discussion Summary

Date of File Note	20 April 2017	15.01/14119
Date of meeting	13 April 2017	
Time:	11 am to 11.50 am	
Location:	9.2 Maia, Commerce Commission, 44 The Terrace, Wellington	
Attendees:	Commerce Commission: Tricia Jennings, Simon Todd, Ray Deacon First Gas: Ben Gerritsen, Karen Collins, David Innes (by phone)	
Classification:	For publication	
Subject:	File Note: First Gas Distribution Asset Replacement and Renewal expenditure	

Restricted information in this document is contained in square brackets

The Commission had requested further information from First Gas following a further assessment of First Gas Distribution's forecast asset replacement and renewal capex expenditure.

The letter from Strata to the Commission dated 6 April 2017 in this regard was forwarded to First Gas on 7 April 2017.¹

At the meeting on 13 April 2017, First Gas provided additional information about its pipeline replacement and renewal programme.

The Commission also agreed to make the updated backcasting calculations available on the Commission's website.

A summary of the responses from First Gas to the information requests follows.

Pre-1985 PE pipeline replacement programme

First Gas advised that this expenditure relates to a well-known worldwide problem, where this type of pre-1985 PE pipeline in the field is failing around the joins and needs to be completely replaced. Historically, there has been little, probably insufficient, spend in this area, so this needs to ramp up to \$2-2.5m per annum to allow for a complete replacement programme. First Gas noted it still does not know the extent of the PE pipe issue in the network.

¹ Letter published alongside this FileNote on <http://www.comcom.govt.nz/regulated-industries/gas-pipelines/gas-default-price-quality-path/2017-2022-gas-dpp/>

Mechanical coupling and 11 km small pipeline replacement programme for Hamilton City

First Gas advised this is an ongoing issue, where couplings in the field are failing and being replaced. \$350K per year has been budgeted for this, based on historic expenditure by Vector.

Hamilton City corrosion protection replacement programme

First Gas advised this relates to a specific project in Hamilton which requires \$350K in both the 2018 and 2019 years, for replacing steel surfaces connected to mains which are corroded.

District Regulating Station replacement and renewal

First Gas advised that the condition disclosure rating in the Distribution Asset Management Plan did not use the same assessment process as that used in the regulatory disclosure table. First Gas agreed this could have been made clearer in the AMP.

First Gas advised that the discussion in the AMP is correct and should be relied on, rather than the disclosure table.

Following the meeting, First Gas provided the attached information:

- DRS expenditure in First Gas distribution AMP (email dated 20 April 2017)
- GS0087 Asset Condition Grading (dated 21 June 2016)