

By email

5 December 2016

Jelle Sjoerdsma
Regulatory Manager
First Gas Limited
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New Plymouth 4342

Dear Jelle

Exemption request response - Separate annual information disclosures for 2015/16 disclosure year

1. We refer to your letter of 5 October 2016 in which you requested the Commerce Commission (Commission) to grant First Gas Limited (First Gas) an exemption allowing First Gas to provide separate annual disclosures of financial, network assets and reliability information for the ex-Vector and ex-MDL transmission pipelines.

Background to the request

2. Annual disclosure of financial information is required by clauses 2.3.1 to 2.3.9 of the Gas Transmission Information Disclosure Determination 2012 (ID Determination). The annual disclosure of information on network assets and reliability is required by clause 2.5.1 of the ID Determination.
3. As successor in title to Vector Gas Limited's (Vector) gas transmission network and through the subsequent purchase of the Maui Pipeline and related assets First Gas is required to prepare and disclose the annual financial, network assets and reliability information in relation to its gas transmission services.
4. Based on the definitions of "gas transmission services" and "network" First Gas would be considered a single Gas Transmission Business (GTB) and would therefore be required to prepare one set of disclosures incorporating both pipelines.¹ However, the disclosure years provided for within the ID Determination differ for the

¹ Gas transmission services is defined under clause 1.1.4 of the Gas Transmission Services Input Methodologies Determination 2012 (IM) as "means any gas pipeline services (as defined in s 55A of the Act) supplied across a network". Network is also defined in the IM as "means the high pressure transmission pipeline systems under the control of one person between the place where gas enters those transmission pipeline systems (commonly referred to as a 'receipt point') and the place where gas exits them, provided that where the place of exit is a delivery point to a distribution network owned by the same person who owns the transmission pipeline system in question, the delivery point is the place specified by that person".

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ex-Vector and ex-MDL pipelines. The disclosure year for Vector is “the 12 month period ending on 30 June of the year the disclosure relates to” whereas the disclosure year for MDL is “the 12 month period ending on 31 December of the year the disclosure relates to”.²

5. This difference in disclosure years would create difficulties when combining the disclosures for the two pipelines.
6. Accordingly, First Gas has requested an exemption to allow the provision and disclosure of:
 - 6.1 separate annual information disclosures for the ex-Vector pipeline for the Vector disclosure year ending 30 June 2016, with these disclosures being completed by 31 December 2016; and
 - 6.2 separate annual information disclosures for the ex-MDL pipeline for the MDL disclosure year ending 31 December 2016, with these disclosures being completed by 30 June 2017.

Exemption granted

7. The Commission considers that the approach proposed by First Gas is a practical solution to the difficulties encountered by First Gas when acquiring GTBs that have different disclosure years. In addition the Commission considers that preparing annual information disclosures for each pipeline is a transparent approach which results in more information being available to interested persons.
8. Under clause 2.11.1 of the ID Determination the Commission exempts First Gas from the requirement to prepare a single set of annual disclosures of financial, network assets and reliability information combining both the ex-Vector and ex-MDL pipelines by 31 December 2016 for the disclosure year ended 30 June 2016.
9. The exemption is granted on the condition that First Gas:
 - 9.1 completes and publicly discloses separate annual information disclosures for each pipeline as noted in paragraph [6]; and
 - 9.2 notes that it has been granted this exemption with the publication of the disclosures.

² In the ID Determination references to Vector and MDL should be read as First Gas as they apply to the respective pipelines.

Further information

10. This exemption may be revoked or amended in accordance with clause 2.11.1(2) of the ID Determinations.
11. If you have any questions regarding this matter, please contact Alison Young on (04) 924 3823 or Alison.Young@comcom.govt.nz.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Sue Begg'.

Sue Begg

Deputy Chair