

By email

22 June 2017

Karen Collins
Regulatory Manager
First Gas Limited
Private Bag 2020
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Email: Karen.Collins@firstgas.co.nz

Dear Karen

Exemption request response - Specific exemptions for First Gas GTB information disclosure for 2015/16 disclosure year

1. We refer to your letter of 14 June 2017 in which you requested the Commerce Commission (Commission) grant First Gas Limited (First Gas) a number of exemptions for the period ending 31 December 2016 as a result of the unique issues arising from the acquisition of the ex-Maui Development Limited (MDL) transmission pipeline on 16 June 2016.

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 MDL's gas transmission network First Gas is required to prepare and disclose the annual financial, network assets and reliability information in relation to its gas transmission services.
4. First Gas previously requested, and was granted, an exemption allowing the provision of separate information disclosures for each of the ex-Vector Gas Limited (Vector) and ex-MDL pipelines. In your 14 June 2017 letter you only requested exemptions in relation to the information disclosures for the ex-MDL pipeline.
5. Although the acquisition occurred part way through the disclosure year First Gas is preparing the information disclosures for the full 12-month period from 1 January 2016 to 31 December 2016. In order to provide disclosures for the full 12-month period First Gas will include in the disclosures information provided by MDL for the period 1 January 2016 up to and including 15 June 2016.

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Exemptions requested

6. First Gas has requested exemptions as follows:
- 6.1 an exemption from completing Schedule 5d(iii) (Changes in Cost Allocations). You informed that First Gas does not have detailed information on the cost allocations previously made by MDL. You also noted that First Gas cost allocations are likely to be significantly different from those previously used by MDL and these changes predominantly reflect the different activities carried out by MDL and First Gas, rather than the impact of reclassifying cost allocators;
 - 6.2 an exemption from completing Schedule 5e(ii) (Changes in Asset Allocations). You informed that First Gas does not have information on the asset allocations previously made by MDL. You also noted that First Gas asset allocations are likely to be significantly different from those previously used by MDL and these changes predominantly reflect the different activities carried out by MDL and First Gas, rather than the impact of reclassifying asset allocators;
 - 6.3 an exemption from disclosing in Schedule 14 (Mandatory Explanatory Notes) the value of material atypical expenditure relating to the secondment of staff employed by Transact Management Limited (Transact), previously the commercial operator of the pipeline, to First Gas for the period 16 June 2016 to 31 December 2016. You informed that the value of these services is confidential information under the terms of the agreement between First Gas and Transact; and
 - 6.4 an exemption allowing the directors' certificate in Schedule 19 to be altered to take into account the following, as you stated in your letter:
 - 6.4.1 First Gas has incorporated information provided by MDL for the period from 1 January 2016 up to and including 15 June 2016;
 - 6.4.2 a significant amount of information has been prepared from systems and records owned by MDL and First Gas may not be able to access or retain all those systems and records themselves; and
 - 6.4.3 First Gas can only provide directors' certification for cost allocations, asset allocations and related party transactions from 16 June 2016.¹

¹ First Gas provided a mark-up along with the exemption request letter proposing an amended version of Schedule 19.

Exemptions granted

7. The Commission considers that the exemptions requested by First Gas are necessary within the circumstances created by the acquisition.
8. Under clause 2.11.1 of the ID Determination the Commission grants First Gas the following exemptions for the disclosure year ended 31 December 2016. First Gas is exempted from:
 - 8.1 completing Schedule 5d(iii) (Changes in Cost Allocations);
 - 8.2 completing Schedule 5e(ii) (Changes in Asset Allocations);
 - 8.3 disclosing in Schedule 14 (Mandatory Explanatory Notes), box 11, the value of the material atypical expenditure relating to the secondment of staff from Transact to First Gas for the period 16 June 2016 to 31 December 2016; and
 - 8.4 completing Schedule 19 as contained within the ID Determination. Instead, First Gas may use the amended Schedule 19 included in your 14 June 2017 request letter as per appendix 1.
9. These exemptions are granted on the condition that First Gas:
 - 9.1 notes that it has been granted these exemptions with the publication of the disclosures.

Further information

10. This exemption may be revoked or amended in accordance with clause 2.11.1(2) of the ID Determination.
11. A copy of this exemption response letter will be published on the Commission's website.
12. If you have any questions regarding this matter, please contact Alison Young on Alison.Young@comcom.govt.nz.

Yours sincerely



Sue Begg

Deputy Chair

Appendix 1: Marked up changes to Schedule 19 (Directors' certification)**Schedule 19 Certification for Year-end Disclosures**

Clause 2.9.3

We,

and

being directors of First Gas Limited certify that, having made all reasonable enquiry and incorporating information provided by Maui Development Limited for the period prior to the Maui pipeline acquisition on 15 June 2016, to the best of our knowledge-

- a) the information, prepared for the purposes of clauses 2.3.1, 2.3.2, 2.4.20, 2.5.1 and 2.7.1 of the Gas Transmission Information Disclosure Determination 2012 in all material respects complies with that determination; and
- b) the historical information used in the preparation of Schedules 8, 9a, 9b, 9c, 9d, 10a, 10b and 14 has been properly extracted from accounting and other records of Maui Development Limited and First Gas Limited sourced from the applicable financial and non-financial systems, and that sufficient appropriate records have been retained as appropriate by Maui Development Limited and First Gas Limited.

This certification does not extend to cost allocations, asset allocations and related party transactions made by Maui Development Limited during the period prior to the acquisition on 15 June 2016.

[Date]