

By email

5 December 2016

Jelle Sjoerdsma
Regulatory Manager
First Gas Limited
Private Bag 2020
New Plymouth 4342

Dear Jelle

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

1. We refer to your letter of 1 December 2016 in which you requested the Commerce Commission (Commission) grant First Gas Limited (First Gas) a number of exemptions as a result of the unique issues arising from the acquisition of the ex-Vector Gas Limited (Vector) transmission pipeline on 20 April 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 Vector'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 and ex-Maui Development Limited (MDL) pipelines. This exemption request is only in relation to the information disclosures for the ex-Vector 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 July 2015 to 30 June 2016.¹ In order to provide disclosures for the full 12-month period First Gas will include in the disclosures information provided by Vector for the period 1 July 2015 up to and including 19 April 2016.

¹ First Gas acquired 100% of the shares in Vector on 20 April 2016.

Exemptions requested

6. First Gas has requested exemptions as follows:
- 6.1 an exemption from completing Schedule 5d(iii) (Changes in Cost Allocations) as First Gas does not have information on the cost allocations previously made by Vector which are likely to be significantly different from those used by First Gas post acquisition. These changes predominantly reflect the different activities carried out by Vector and First Gas, rather than the impact of reclassifying cost allocators;
 - 6.2 an exemption from completing Schedule 5e(ii) (Changes in Asset Allocations) as First Gas does not have information on the asset allocations previously made by Vector which are likely to be significantly different from those used by First Gas post acquisition. These changes predominantly reflect the different activities carried out by Vector and First Gas, rather than the impact of reclassifying asset allocators;
 - 6.3 an exemption from completing Schedule 5f (Report Supporting Cost Allocations) for the period 1 July 2015 up to and including 19 April 2016 as First Gas does not have information on the detail supporting the cost allocations made by Vector; and
 - 6.4 an exemption allowing the directors' certificate (Schedule 19) to be altered to take into account the following:
 - 6.4.1 First Gas has incorporated information provided by Vector for the period prior to acquisition;
 - 6.4.2 a significant amount of information has been prepared from systems and records owned by Vector 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 for the period post acquisition.²

Exemption 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 30 June 2016. First Gas is exempted from:

² First Gas provided a marked up version of Schedule 19 along with the exemption request letter.

- 8.1 completing Schedule 5d(iii) (Changes in Cost Allocations);
 - 8.2 completing Schedule 5e(ii) (Changes in Asset Allocations);
 - 8.3 completing Schedule 5f (Report Supporting Cost Allocations) for the period from 1 July 2015 up to and including 19 April 2016; and
 - 8.4 completing Schedule 19 as contained within the ID Determination. Instead, First Gas may use the amended Schedule 19 included in the exemption 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. If you have any questions regarding this matter, please contact Alison Young on (04) 924 3823 or 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 Vector Limited for the period prior to the acquisition on 20 April 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 First Gas Limited's accounting and other records of Vector Limited and First Gas Limited sourced from its the applicable financial and non-financial systems, and that sufficient appropriate records have been retained ~~and if not, what records and systems were used~~ as appropriate by Vector Limited and First Gas Limited.

This certification does not extend to cost allocations, asset allocations and related party transactions made by Vector Limited during the period prior to the acquisition on 20 April 2016.

[Date]