

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 GDB 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) distribution pipeline on 20 April 2016.

Background to the request

2. Annual disclosure of financial information is required by clauses 2.3.1 to 2.3.8 of the Gas Distribution Information Disclosure Determination 2012 (ID Determination). The annual disclosure of information on network assets and reliability is required by clauses 2.5.1 and 2.5.2 of the ID Determination.
3. As successor in title to Vector Non-Auckland gas distribution network First Gas is required to prepare and disclose the annual financial, network assets and reliability information in relation to its gas distribution services.
4. 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.

Exemptions requested

5. First Gas has requested exemptions as follows:
 - 5.1 an exemption from completing Schedule 2(iii) (Information Supporting the Monthly ROI) if the Commission considers that the requirements to complete

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

this schedule are met by the acquisition transaction. First Gas considers that due to the legal form of the acquisition there were not assets commissioned in excess of 10% of the opening RAB value;

- 5.2 an exemption from completing the first four columns (for previous disclosure years ended 30 June 2012-2015) in Schedule 4(i) (Regulatory Asset Base Value (Rolled Forward)) as the legal form of the acquisition was a share purchase and therefore the assets were not acquired. This reflects the fact that the GDB did not exist in its current form prior to the 2015/16 disclosure year, and that historic RAB value for the business will be included in Vector's historic RAB;
- 5.3 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;
- 5.4 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;
- 5.5 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
- 5.6 an exemption allowing the directors' certificate (Schedule 19) to be altered to take into account the following:
 - 5.6.1 First Gas has incorporated information provided by Vector for the period prior to acquisition;
 - 5.6.2 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

- 5.6.3 First Gas can only provide directors' certification for cost allocations, asset allocations and related party transactions for the period post acquisition.²

Exemption granted

6. The Commission considers that the exemptions requested by First Gas are necessary within the circumstances created by the acquisition.
7. 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:
 - 7.1 completing the first four columns in Schedule 4(i) (Regulatory Asset Base Value (Rolled Forward));
 - 7.2 completing Schedule 5d(iii) (Changes in Cost Allocations);
 - 7.3 completing Schedule 5e(ii) (Changes in Asset Allocations);
 - 7.4 completing Schedule 5f (Report Supporting Cost Allocations) for the period from 1 July 2015 up to and including 19 April 2016; and
 - 7.5 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.
8. The Commission agrees that the requirements to complete Schedule 2(iii) (Information Supporting the Monthly ROI) are not met and therefore First Gas is not required to provide monthly ROI information.
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.

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

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

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

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, 2.4.21, 2.4.22, 2.5.1, 2.5.2 and 2.7.1 of the Gas Distribution 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 Vector 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 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]