



POWERco
GAS DISTRIBUTION
PRICING
SCHEDULE

1 OCTOBER 2017

Why have prices changed?

Powerco is regulated under the Commerce Commission Gas Distribution Services Default Price-Quality Path Determination (*the Determination*). Originally issued in 2013, the Determination was updated in 2017 and regulates Powerco's allowable notional revenue (ANR)¹ for the next Regulatory Control Period (RCP).²

The Commission determines the amount of revenue Powerco may earn over the RCP by considering the operational and capital expenditure Powerco needs to make over the period. The Commission also allows Powerco to make a return on its investment in gas distribution assets. The percentage return on assets Powerco may earn is determined by the Commission.

The pricing year beginning 1 October 2017 is the first year of the next RCP. As a result of the Commission's 2017 Determination, Powerco's standard distribution prices will decrease by an average of 7.34 percent from 1 October. The exact price impact will vary for consumers across different regions. This reduction in price is a result of market conditions driving a lower percentage return on assets and Powerco's lower forecast operational expenditure requirements.

The prices applied to the tariff groups on our distribution network are set by our published pricing methodology. For the pricing year commencing 1 October 2017, we have made some adjustments to remove pricing anomalies, but have sought to maintain maximum pricing stability and pricing consistency for the different tariff groups and regional networks. The pricing schedule attached shows the prices for each tariff group valid from 1 October 2017.

Our pricing methodology document can be found on our internet site at the following location, and a copy may also be requested from Powerco's head office:

<http://www.powerco.co.nz/Publications-and-Disclosures/Pricing-Schedules/Gas/>

¹ Allowable notional revenue determines the maximum notional revenue Powerco may earn from distribution prices each year. Allowable notional revenue in a reset year is specified by the Commerce Commission in a DPP. For all other years ANR is calculated using distribution prices from the prior year multiplied by quantities from two years prior.

² The 2017 Determination sets the price path for the five year period 1 October 2017 to 30 September 2022.

Powerco is responsible for the natural gas network in the Taranaki, Hawkes Bay, Manawatu, Horowhenua and Wellington regions. Last year, Powerco constructed about 90km of pipeline to enable more New Zealanders to connect to the gas network. Also connecting more than 2,000 customers to the network for free, and spent between \$5 million and \$6 million maintaining a safe and reliable gas supply for consumers.

POWERCO DISTRIBUTION PRICE REDUCTION:

Good news for customers on Powerco's gas networks regarding scheduled gas pricing for the next reset period beginning 1 October 2017. Powerco's distribution prices will drop by an average of 7.34 percent as a result of the Commerce Commission's recent Default Price Path determination. The exact price impact will vary for consumers across different regions.

DISCLOSURE OF POWERCO'S NEW GAS DISTRIBUTION CHARGES, EFFECTIVE 1 OCTOBER 2017

Powerco is regulated under the Commerce Act 1986. Under the regulated price-quality path determined by the Commerce Commission, the weighted average of Powerco's gas pipeline prices, net of pass-through and recoverable costs, can not increase by more than the change in the Consumer Price Index each year.

From 1 October 2017 the regulated price increase for non-standard customers is 1.08%

Powerco is required to disclose the charges that make up the distribution part of a natural gas invoice under clause 2.4.19 of the Gas Distribution Information Disclosure Determination 2012. However, Powerco is not required to publicly disclose distribution charges if the estimated number of consumers that will be subject to the charge is fewer than five.

Other gas network charges or conditions may apply and this schedule should be read in conjunction with the full Powerco pricing schedule available on its website. All charges exclude GST (Goods and Services Tax).

SCHEDULE OF END-CONSUMER LOAD GROUP CHARGES (excluding GST)

Hawkes Bay						
Distribution charges effective 1 October 2017				Estimated number of consumers	Previous charges	
Load group	Fixed (\$/day)	Variable (\$/GJ)	Variable (c/kWh)		Fixed (\$/day)	Variable (\$/GJ)
G06	\$0.0000	\$17.9707	\$0.06	1,046	\$0.0000	\$18.2135
G11	\$0.5752	\$4.3099	\$0.02	3,511	\$0.5752	\$5.0139
G12	\$1.4970	\$3.6958	\$0.01	163	\$1.2528	\$4.0615
G14	\$4.0436	\$3.2703	\$0.01	79	\$3.6601	\$3.4792
G16	\$5.3683	\$3.0889	\$0.01	62	\$4.5519	\$3.2862
G18	\$9.3451	\$3.1916	\$0.01	7	\$8.2693	\$3.2905

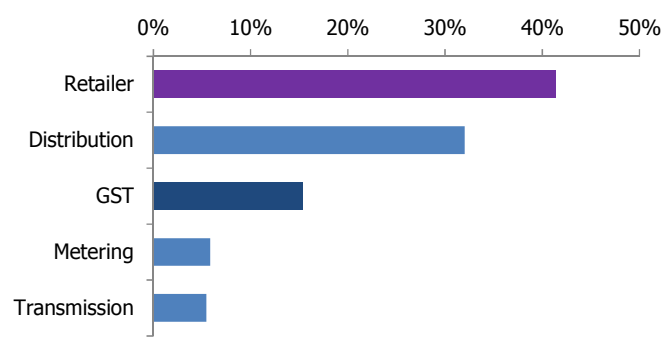
Manawatu and Horowhenua						
Distribution charges effective 1 October 2017				Estimated number of consumers	Previous charges	
Load group	Fixed (\$/day)	Variable (\$/GJ)	Variable (c/kWh)		Fixed (\$/day)	Variable (\$/GJ)
G06	\$0.0000	\$17.9707	\$0.06	5,176	\$0.0000	\$18.2135
G11	\$0.5752	\$4.3099	\$0.02	14,775	\$0.5752	\$5.0139
G12	\$1.4970	\$3.6958	\$0.01	323	\$1.3693	\$4.0770
G14	\$4.0436	\$3.2703	\$0.01	85	\$3.9807	\$3.9414
G16	\$5.3683	\$3.0889	\$0.01	72	\$5.2006	\$3.8913
G18	\$9.3451	\$3.1916	\$0.01	12	\$9.4733	\$3.4529

Wellington						
Distribution charges effective 1 October 2017				Estimated number of consumers	Previous charges	
Load group	Fixed (\$/day)	Variable (\$/GJ)	Variable (c/kWh)		Fixed (\$/day)	Variable (\$/GJ)
G06	\$0.0000	\$19.6589	\$0.07	7,284	\$0.0000	\$19.6589
G11	\$0.5823	\$5.0861	\$0.02	22,341	\$0.5823	\$6.1471
G12	\$0.9418	\$5.5390	\$0.02	463	\$0.9599	\$5.9847
G14	\$5.7718	\$5.5628	\$0.02	118	\$6.0373	\$5.7373
G16	\$8.9086	\$4.6219	\$0.02	71	\$8.7783	\$5.1001
G18	\$13.6909	\$4.4803	\$0.02	9	\$13.4964	\$4.9174

Hutt Valley and Porirua						
Distribution charges effective 1 October 2017				Estimated number of consumers	Previous charges	
Load group	Fixed (\$/day)	Variable (\$/GJ)	Variable (c/kWh)		Fixed (\$/day)	Variable (\$/GJ)
G06	\$0.0000	\$19.6589	\$0.07	5,501	\$0.0000	\$19.6589
G11	\$0.5823	\$5.0861	\$0.02	23,921	\$0.5823	\$6.1471
G12	\$0.9418	\$5.5390	\$0.02	611	\$0.9237	\$5.6328
G14	\$5.7718	\$5.5628	\$0.02	133	\$5.5064	\$5.7326
G16	\$8.9086	\$4.6219	\$0.02	46	\$9.0390	\$4.6220
G18	\$13.6909	\$4.4803	\$0.02	12	\$13.8854	\$4.4582

Taranaki						
Distribution charges effective 1 October 2017				Estimated number of consumers	Previous charges	
Load group	Fixed (\$/day)	Variable (\$/GJ)	Variable (c/kWh)		Fixed (\$/day)	Variable (\$/GJ)
G06	\$0.0000	\$17.9707	\$0.06	5,385	\$0.0000	\$17.9707
G11	\$0.5752	\$4.3099	\$0.02	12,872	\$0.5752	\$4.4896
G12	\$1.4970	\$3.6958	\$0.01	196	\$1.8689	\$3.4286
G14	\$4.0436	\$1.9274	\$0.01	116	\$4.4902	\$1.7683
G16	\$5.3683	\$1.8786	\$0.01	36	\$6.3523	\$1.7002
G18	\$9.3451	\$1.7094	\$0.01	13	\$10.2928	\$1.6296

Average Residential Household Gas Energy Bill



From The New Zealand Gas Story - 4th Edition (Gas Industry Company, December 2016)

For an average New Zealand residential household, gas distribution prices represent approximately 30% of the final gas energy bill.

TYPICAL CHARACTERISTICS OF DIFFERENT LOAD GROUP CUSTOMERS

Residential / small commercial

G06	Less than or equal to 10 scm/hr and annual gas usage of less than 16GJ *	Low-volume residential customers
G11	Less than or equal to 10 scm/hr and annual gas usage equal to 16GJ or greater *	Standard residential customers Small commercial customers: Small cafes, fish and chip shops, pizza shops

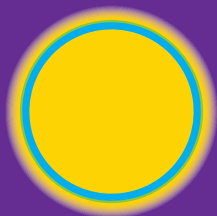
Commercial

G12	Greater than 10 scm/hr and less than or equal to 25 scm/hr	Restaurants, small apartment/office buildings, small to mid-sized motels
G14	Greater than 25 scm/hr and less than or equal to 60 scm/hr	Hotels, large motels, shopping complexes, swimming pools
G16	Greater than 60 scm/hr and less than or equal to 140 scm/hr	Large office buildings, apartment blocks, commercial kitchens
G18	Greater than 140 scm/hr and less than or equal to 200 scm/hr	Commercial laundries, dry cleaners

* Consumers meeting the criteria can choose which load group G06 or G11 to belong to.

Scm/h = standard cubic metres per hour (gas flow rate) GJ = gigajoules (measure of gas)

To view online please go to www.powerco.co.nz



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