



Compliance Statement

This document forms our Compliance Statement as required by section 11 of the Gas Transmission Services Default Price-Quality Path Determination 2013 (DPP) issued by the Commerce Commission. The terms "MDL", "we", "us" and "our" in this document refer to the Gas Transmission Business (GTB) of Maui Development Limited. This Compliance Statement covers the First Assessment Period for MDL, which is from 1 July 2013 to 30 June 2014.

Price path compliance

We are pleased to confirm that MDL has complied with the price path in clause 8 of the DPP for the Assessment Period.

In order to comply with the price path of the DPP, MDL set new prices with effect from 1 July 2013. In order to comply with a requirement of the Maui Pipeline Operating Code to provide at least 60 days' prior written notice of changes in prices, the new prices had to be notified by 1 May 2013. They were set by MDL during April 2013.

Pass-through Costs and Recoverable Costs

Pass-through Costs and Recoverable costs that could be applicable for MDL in the First Assessment Period were those for rates and levies, and those for balancing gas respectively. Costs incurred prior to the Regulatory Period, i.e. prior to 1 July 2013, were not permitted.

- On the assumption that rates and levies for the First Assessment Period could not be reliably ascertained when Prices for it were set, Pass-through Costs were set at zero.
- Balancing gas costs for the First Assessment Period were certainly not ascertainable in advance when prices for it were set. As a result, Recoverable Costs were set at zero.

Allowable Notional Revenue

The DPP requires Allowable Notional Revenue for MDL to be calculated as follows:

$$ANR_{2014} = \frac{MAR + (K_{2014} + V_{2014})}{\Delta D} - (K_{2014} + V_{2014})$$

where:

ANR_{2014} is the Allowable Notional Revenue for MDL's First Assessment Period.

MAR is Maximum Allowable Revenue from starting prices. The DPP set this for MDL at \$ 39.805 million.

ΔD is a growth and timing adjustment factor. The DPP set this for MDL at 0.967.

K_{2014} is the sum of all Pass-through Costs that can be claimed for MDL's First Assessment Period.

V_{2014} is the sum of all Recoverable Costs that can be claimed for MDL's First Assessment Period.

Because K_{2014} and V_{2014} were both set at zero, those terms can be eliminated from the formula above, leading to

$$ANR_{2014} = MAR / \Delta D = \$ 39.805 \text{ million} / 0.967 = \$ 41.163 \text{ million}$$

Notional Revenue

The DPP requires Notional Revenue for a Pricing Period to be calculated as follows:

$$NR_t = \sum_i P_{i,t} Q_{i,t-2} - (K_t + V_t)$$

where:

NR_t is the Notional Revenue for the Pricing Period.

t is the year in which the Pricing Period ends.

i is each Price relating to a Gas Transmission Service.

$P_{i,t}$ is the i^{th} Price for any part of the Pricing Period ending in year t .

$Q_{i,t-2}$ is the Quantity corresponding to the i^{th} Price during the Pricing Period ending two years prior to year t .

K_t is the sum of all Pass-through Costs for the Pricing Period ending in year t .

V_t is the sum of all Recoverable Costs for the Pricing Period ending in year t .

The Pricing Period covered by this compliance statement is the same as the First Assessment Period, i.e. 1 July 2013 to 30 June 2014. Therefore, t is the year 2014.

MDL charges two prices for Gas Transmission Services:

1. Tariff 1 charged by GJ.km, i.e. on quantity of gas in GJ multiplied by shipping distance in km. Tariff 1 for the Pricing Period was \$0.001505 per GJ.km
2. Tariff 2 charged by GJ, i.e. on throughput quantity of gas in GJ. Tariff 2 for the Pricing Period was \$0.079 per GJ.

In both cases the revenue quantities are derived from Scheduled Quantities from Approved Nominations by Shippers on the Maui Pipeline. (Those Scheduled Quantities can be different from Metered Quantities measured for Welded Points.)

The revenue quantities invoiced by MDL for the July 2011 to June 2012 Pricing Period were:

19,955,329 TJ.km (based on Tariff 1 revenues for that period of \$37.416 million)

140,749 TJ (based on Tariff 2 revenues for that period of \$5.489 million)

As already explained above, K_{2014} and V_{2014} were both set at zero

As a result (with 1 TJ being 1,000 GJ) Notional Revenue for the First Assessment Period is:

$$NR_{2014} = \$30,032,771 + \$ 11,119,199 = \$ 41.152 \text{ million}$$

Compliance

Compliance with the price path requires that notional revenue must not exceed allowable notional revenue for each Assessment Period. As calculated above, NR_{2014} is \$ 0.011 million less than ANR_{2014} . Therefore, MDL has complied with the price path for the First Assessment Period.

Quality standards compliance

We are pleased to confirm that MDL has complied with the quality standard in clause 9 of the DPP for the Assessment Period.

Compliance with the quality standard requires a response time to emergencies not exceeding 180 minutes, where:

Emergency means an incident:

- (a) that is required to be reported under the 'Guidelines for a Certificate of Fitness for High-Pressure Gas and Liquids Transmission Pipelines'; and
- (b) for which the GTB considers a representative of the GTB is required to immediately respond to.

Section 4.9 of the guidelines referred to above, published by the Department of Labour (now part of the Ministry of Business, Innovation & Employment) in 2002, describes incidents as:

"...all incidents that have occurred on or in the near vicinity of the pipeline, including leaks, third party damage, near-miss incidents, equipment failure, overpressure, etc."

Relevant incidents recorded for the Assessment Period are set out in the table below.

Date	Time	Location	Reporter	Method	Description	Emergency	Consumer Interruption
14.07.13	16:11	Pohokura Welded Point	Producer	Telephone	Pohokura PS outage - unplanned	N	N
20.08.13	16:32	Pohokura Welded Point	Producer	SCADA Alarm	Pohokura PS outage - unplanned	N	N
29.10.13	13:25	Frankley Road Interchange	Vector	Telephone	Gas Leak on Pressure Transmitter	N	N
30.10.13	00:47	Mokau Compressor Station	Vector	SCADA Alarm	Mokau compressor generator failure	N	N
12.12.13	17:32	Oaonui Welded Point	Producer	Telephone	Oaonui PS outage - unplanned	N	N
12.04.14	11:15	Okato No 1 MLV	Powerco	Telephone	Smell of gas at 142 Dover Rd Okato	N	N
02.05.14	16:48	Line Oaonui to Rotowaro	Public	Telephone	Huhu Rd - Huntly - Gas Smell	N	N
11.06.14	08:45	Oaonui Welded Point	Vector	SCADA Alarm	Oaonui PS outage - unplanned	N	N

These incidents are recorded by Vector Gas Limited, in their capacity as Technical Operator for MDL. Vector's policies and procedures for this are set out in Vector document 3208354 – Gas Transmission Operating Standard – Event Logging. One of the purposes of this document is to ensure that data is captured accurately and consistently for preparing data for compliance statements to satisfy the DPP Determination. The document includes aspects including event definition, collection/capture of data in computer systems, requirements for data capture and data quality requirements. The quality standard in the DPP determination is identical for Vector's GTB and for MDL.

As the table indicates, none of the relevant recorded incidents were classified as emergencies. Accordingly, MDL did not have any Emergency incident and has complied with the quality standard during the First Assessment Period .

Certification

The required certification for this Compliance Statement is attached. This certification is made in reliance on incident data provided by Vector Gas Limited in their capacity as Technical Operator for MDL, and on the basis that this data is recorded in accordance with the same policies and procedures used by Vector Gas Limited for compliance of its own GTB with the quality standards in the DPP Determination.

Auditor report

The required report on this Compliance Statement that is signed by an Auditor is attached.

Statement date

This Compliance Statement was prepared on 4 September 2014

Certificate for Compliance Statement

I/We,

MURRAY ERIC JACKSON,

being Director/s of Maui Development Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached compliance statement of Maui Development Limited, and related information, prepared for the purposes of the Gas Transmission Services Default Price-Quality Path Determination 2013 has been prepared in accordance with all the relevant requirements.

4th
[Signature]
September 2014

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on summary conviction to a fine not exceeding \$10,000 in the case of an individual or \$30,000 in the case of a body corporate.



Auditor's report to the Commerce Commission and the Directors of Maui Development Limited on the Default Price-Quality Path Compliance Statement

We have performed our assurance engagement in relation to the attached statement, which is a Compliance Statement in respect of the default price-quality path prepared by Maui Development Limited for the assessment period ended on 30 June 2014 and dated 4 September 2014 for the purposes of clause 11 of the Gas Transmission Services Default Price-Quality Path Determination 2013 (“the Determination”).

Directors' responsibilities

The Directors of Maui Development Limited are responsible for the preparation of the Compliance Statement in accordance with the Determination and for such internal control as the Directors determine is necessary to enable the preparation of a Compliance Statement that is free from material misstatement, whether due to fraud or error.

Auditor's qualifications

We are qualified as an auditor as defined in the Determination.

Auditor's responsibilities

Our responsibility is to express an opinion on the Compliance Statement based on our assurance engagement. We conducted our assurance engagement in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements 3000 (ISAE (NZ) 3000). Those standards require that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance about whether the compliance statement is free from material misstatement.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the compliance statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Compliance Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the compliance statement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An assurance engagement also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the Compliance Statement.

In relation to the price path set out in clause 8 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 1 and 2 of the Compliance Statement.

In relation to the quality path set out in clause 9 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 2 and 3 of the Compliance Statement.



Our assurance engagement also included assessment of the significant estimates and judgments, if any, made by Maui Development Limited in the preparation of the Compliance Statement and assessment of whether the basis of preparation has been adequately disclosed.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our assurance engagement conclusion.

Independence

Our firm has also provided other regulatory assurance and financial information review services to Maui Development Limited. These matters have not impaired our independence as auditor of Maui Development Limited pursuant to the Determination. We have no other relationship with, or interests in Maui Development Limited.

Limitation of scope

Quality path information as set out in clause 9 of the Determination has been provided by a third party, in their capacity as Technical Operator for Maui Development Limited. For these items, our procedures were limited to confirming that the information in the Compliance Statement agree to the third party records provided to us.

Conclusion

In our opinion, the Compliance Statement of Maui Development Limited in respect of the default price-quality path for the assessment period ended on 30 June 2014, has been prepared, in all material respects, in accordance with the Determination.

Our assurance engagement was completed on 4 September 2014 and our opinion is expressed as at that date.

Restriction of distribution and use

Our report should not be regarded as suitable to be used or relied on by any party other than the Commerce Commission and the Directors of Maui Development Limited in accordance with the Commerce Act 1986 for any purpose or in any context. Any party other than the Commerce Commission and Directors of Maui Development Limited who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Commerce Commission and the Directors of Maui Development Limited for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to the Commerce Commission and the Directors of Maui Development Limited on the basis that it shall not be copied, referred to or disclosed, in whole (save for Maui Development Limited's own internal purposes) or in part, without our prior written consent.

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