



**Annual Price Review
Gas distribution network**

From 1 October 2015

Pursuant to:
The Gas Distribution
Information Disclosure Determination 2012
- (consolidated in 2015)

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1. PURPOSE OF THIS DOCUMENT

This document contains information to help you understand how Vector determines its gas distribution prices. In this document, we:

1. Give you information about us and what we do;
2. Describe how we set our gas distribution prices;
3. Provide explanations and reasons for the changes in gas distribution prices;
4. Include our price schedules with our new prices and eligibility criteria; and
5. Provide tables comparing our prices before and after the 1 October 2015 price change.

We believe in transparency and hope you find this information useful. You can find more detailed information about our price methodology on our website at:

<http://vector.co.nz/disclosures/gas/pricing-methodology>

Or if you need more information, you can give us a call at 0508 VECTOR (0508 832 867) and we'll do our best to answer your questions.

2. ABOUT VECTOR

Vector is a leading New Zealand infrastructure group. We own and manage a unique portfolio of energy and fibre optic infrastructure networks in New Zealand.

Our assets perform a key role in delivering energy and communication services to more than one million homes and businesses across New Zealand. We are a significant provider of:

- Electricity distribution services;
- Gas transmission and distribution services;
- Electricity and gas metering installations and data management services;
- Natural gas and LPG, including 60.25% ownership of bulk LPG distributor Liquigas; and
- Fibre optic networks in Auckland and Wellington, delivering high speed broadband services.

In addition to our energy and fibre optic businesses we own:

- A 50% share in Treescape, an arboriculture and vegetation management company; and
- A 22.11% share in NZ Windfarms, a power generation company.

Vector is listed on the New Zealand Stock Exchange. Our majority shareholder, with a shareholding of 75.1%, is the Auckland Energy Consumer Trust (AECT). The balance of Vector's shares are held by individual and institutional shareholders. The AECT represents its income beneficiaries, who are consumers connected to Vector's electricity distribution network in the area covered by the Trust district. The Trust district includes Auckland, Manukau and parts of the Papakura region. For more information on the AECT visit their website at www.aect.co.nz.

Vector owns and operates over 7,000 kilometres of natural gas distribution networks in over 30 towns and cities across the North Island and supply gas to approximately 160,000 domestic and business customers.

VECTOR OPERATING STATISTICS

YEAR ENDED 30 JUNE	2015	2014
ELECTRICITY		
Customers ^{1,4,5}	544,513	539,154
New connections	7,813	6,202
Net movement in customers ²	5,359	4,721
Volume distributed (GWh)	8,414	8,252
Networks length (km) ¹	18,160	18,021
SAIDI (minutes) ³		
Normal operations	155	141
Extreme events	341	10
Total	496	151
GAS TRANSPORTATION		
Distribution customers ^{1,4}	163,243	159,738
New connections	3,915	4,042
Net movement in distribution customers ²	3,505	2,786
Distribution volume (PJ)	22.4	21.9
Transmission volume (PJ) ⁶	114.4	111.3

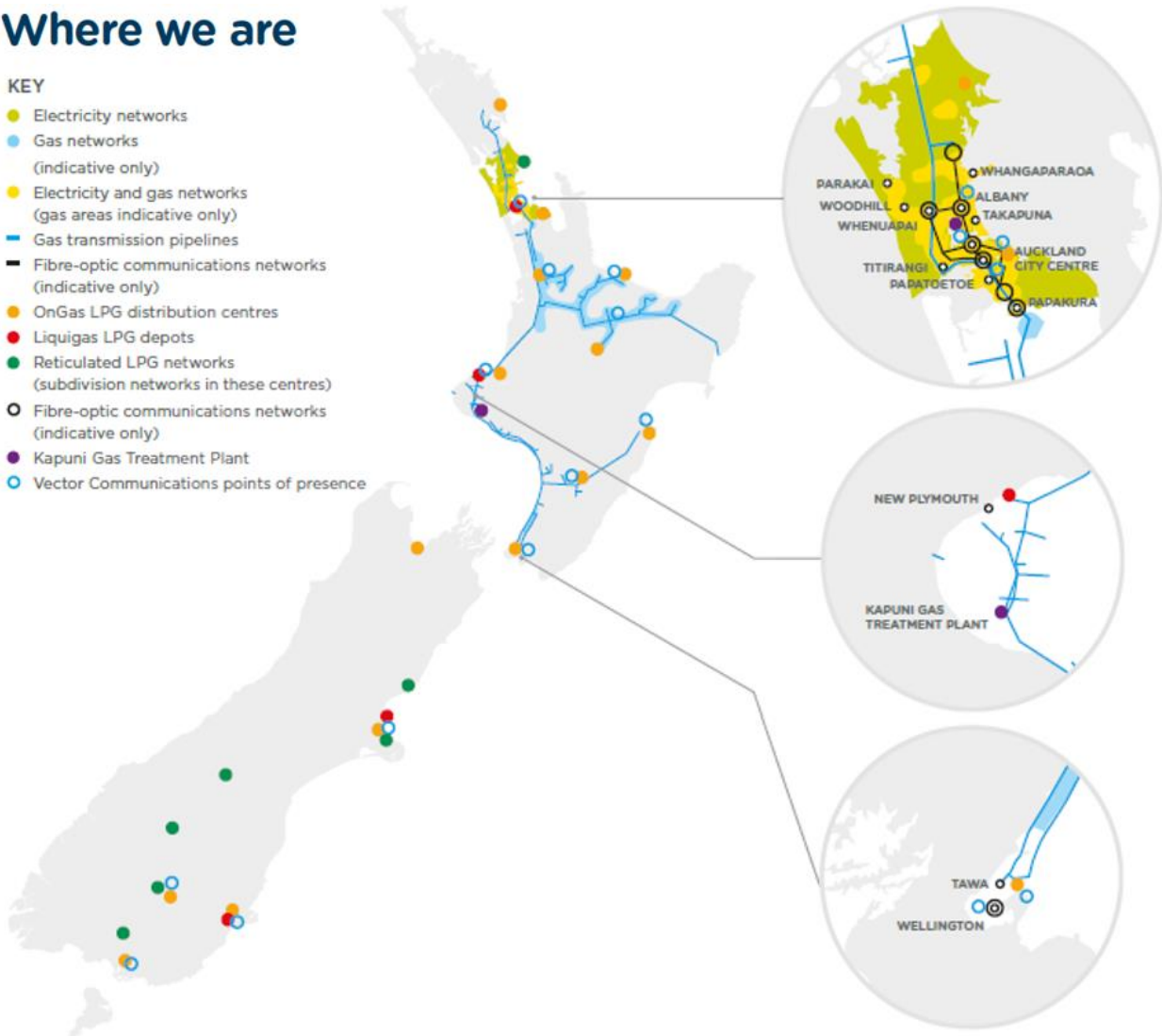
YEAR ENDED 30 JUNE	2015	2014
GAS WHOLESALE		
Natural gas sales (PJ) ⁷	19.5	24.5
Gas liquid sales (tonnes) ⁸	71,092	71,000
Liquigas LPG tolling (tonnes) ⁹	186,626	178,510
TECHNOLOGY		
Electricity: smart meters ^{1,10}	958,146	675,555
Electricity: legacy meters ¹	164,417	202,561
Electricity: prepay meters ¹	6,560	4,527
Electricity: time-of-use meters ¹	11,602	11,276
Gas meters ¹	214,974	211,741
Data management and service connections ¹	8,499	8,227

1. As at period end. 2. The net number of customers added during the twelve month period. 3. Regulatory year - 12 months to 31 March. 4. Billable ICPS. 5. The electricity customer number as at 30 June 2014 has been restated to remove 4,799 ICPS following a data cleanse by retailers. There was no consumption for any of these ICPS in the current period. 6. Billable volumes. 7. Excludes gas sold as gas liquids as these sales are included within the gas liquids sales tonnages. 8. Total of retail and wholesale LPG production and natural gas. 9. Includes product tolled in Taranaki and further tolled in the South Island. 10. Includes 13,609 meters deployed on behalf of the SmartCo consortium of electricity distribution companies and the nearly 140,000 meters acquired with Arc Innovations.

Where we are

KEY

- Electricity networks
- Gas networks (indicative only)
- Electricity and gas networks (gas areas indicative only)
- Gas transmission pipelines
- Fibre-optic communications networks (indicative only)
- OnGas LPG distribution centres
- Liquigas LPG depots
- Reticulated LPG networks (subdivision networks in these centres)
- Fibre-optic communications networks (indicative only)
- Kapuni Gas Treatment Plant
- Vector Communications points of presence



3. HOW WE SET PRICES

Vector generally recovers the cost of owning and operating our network through gas distribution prices, including published standard prices or in a limited number of circumstances, non-standard prices.

The revenue from Vector's gas distribution prices is regulated by the Commerce Commission. Vector is able to determine how to recover this revenue through our prices subject to a number of regulated pricing principles. We go into how we comply with these principles in some detail in our pricing methodology disclosure available on our website¹.

A key feature of a gas distribution system is that it is a network of interconnected assets. Many consumers on the network share assets and it is often difficult to identify precisely who benefits from which assets, for example, there are not purely "industrial zones" or "residential zones". This intermingling of consumers means that there are substantial common costs. A large proportion of the prices paid by consumers are a recovery of common costs rather than being directly attributable to the provision of a specific service to that consumer.

The most significant cost element reflected in Vector's distribution prices relates to physical gas distribution assets. These assets are about halfway through their useful life, meaning their value is also about half that of equivalent new assets. This means that Vector's distribution prices are lower than they would be if the assets were new. To send the right signals to consumers to ensure new investments in the network are as efficient as possible, consumers need to be charged for the full or proportionate cost of those assets (new and existing) they will be using.

To recognise the key differences in the use and cost of our network, we separate consumer connections into the following segments for pricing²:

- Residential consumers;
- Business consumers – Less than or equal to 10 scm/h³;
- Small commercial consumers – Greater than 10scm/h and less than or equal to 40scm/h;
- Large commercial consumers – Greater than 40scm/h and less than or equal to 200scm/h;
- Industrial consumers – Greater than 200 scm/h; and
- Non-standard consumers.

To determine the amount of regulated revenue to recover from each consumer segment, Vector considers each segment's use of Vector's gas distribution network assets. Revenue is then recovered from each segment in relation to that segment's use of the distribution network assets.

The way the network of assets has been built up over time is something that Vector now has limited ability to change, however Vector is able to influence present and future investment decisions in the gas distribution network. Vector's distribution prices are designed, in line with the regulated pricing principles, to efficiently recover the cost of the existing gas distribution network and send efficient signals to users when new investments are required.

¹ Our pricing methodology is available at the following URL: <http://vector.co.nz/disclosures/gas/pricing-methodology>

² Full criteria for allocation of customers to pricing plans can be found in the pricing schedules below.

³ Gas delivered in standard cubic meters per hour (scm/h).

Vector has developed a high-level framework to guide the development of its pricing methodology. The overarching objectives for the methodology include:

- a. Cost recovery - ensuring Vector recovers its costs, including an appropriate return on and of investment. A key aspect of cost recovery is the predominantly sunk and fixed nature of the costs;
- b. Meet regulatory obligations - including compliance with the weighted average price requirements and the pricing principles;
- c. Clear pricing structure - by making it attractive to maintain connections and for new consumers to connect. Pricing should be simple and easily understood by consumers;
- d. Cost reflective pricing - to ensure that all consumers face prices that reflect the cost of providing them with service, that charges to all new consumers at least cover the incremental costs of connecting them to the network (including costs associated with upstream reinforcement) and charges to recover overhead costs and the cost of the shared network are allocated between consumers in a manner that is least likely to distort investment decisions;
- e. Consumer centric outcomes – to take account of the economic value of the service to consumers, provide pricing stability and manage price shock effectively in the transition to new price structures; and
- f. Incentivise efficient usage - in other words, encourage/discourage more utilisation of gas assets to ensure that new investments are efficient and sunk investments are not inefficiently by-passed. Consumers will benefit most from increased economies of scale and density over time as more consumers share the costs of the network.

A more fulsome description of our approach and further information on our gas distribution pricing methodology can be found at <http://vector.co.nz/disclosures/gas/pricing-methodology>.

4. REASONS FOR PRICE CHANGES

For the pricing year beginning 1 October 2015 Vector has set its prices to ensure that the revenue from Vector's gas distribution network is no more than required to recover our costs as determined by regulations from the Commerce Commission. These regulations set the weighted average prices that Vector is able to charge (in aggregate) each year and also allows Vector to recover a number of costs outside of our control ("pass through and recoverable costs"). Amongst other things, pass through and recoverable costs include council rates, regulatory levies payable by Vector to the Electricity and Gas Complaints Commission and the Commerce Commission.

The regulatory regime reflects Vector's operating costs and recognises that these costs are likely to increase over time. The regime also provides incentives for cost efficiency. At the end of each regulatory period any efficiency gains are shared with consumers through lower prices.

The regulations, and in particular the Gas Distribution Services Default Price-Quality Path Determination 2013 required an initial price reduction applied over the 15 month period from 1 July 2013 (when the determination came into effect) to 30 September 2014. Thereafter, the determination incorporates October-September annual CPI-X price changes.

From 1 October 2015, the impact of decreases in pass-through and recoverable costs (-0.7%) combined with increases to the regulated CPI (0.9%) result in an overall weighted average increase to Vector's gas distribution prices of 0.2%.

Changes to individual prices will vary from the weighted average price increase. This is due to the structural changes to prices which improve the level of consistency with regulatory pricing principles, and provide for more cost reflective pricing. We have limited the extent of these changes, including transitioning over time, so that consumers generally face price increases of no more than 10%.

Our gas distribution prices are set out in the following price schedules. The schedules include prices for each of our distribution networks including the Auckland and North Island networks, and for each consumer group, including Residential, Business, Small commercial, Large commercial and Industrial.

Auckland gas distribution network

Price schedule for gas customers

Effective 1 October 2015

This document describes United Networks' standard gas distribution charges which cover the costs of distributing gas to customers connected to the Auckland gas distribution network. United Networks offers six price categories for Auckland gas distribution network customers depending on the customer's connection size and their connection type.

Network definition

The network that customers are supplied from is determined by United Networks from time to time based on the physical location of the connection of the customer's premise or property to United Networks' Auckland gas distribution network. The approximate area covered by the Auckland gas distribution network is shown on the following map.



Residential price category GA0R

The GA0R price category applies to all residential customers. A residential customer is a customer whose connection is for a private dwelling (intended for occupation mainly as a place of residence) not normally used for any business activity. Business activities include, but are not limited to, the following:

- Any prison that is operated by the Department of Corrections or is a police jail;
- Any hospital, home, or other institution for the care of sick, disabled, or aged persons;
- Police barracks, or police cells and lock-ups;
- Barracks conducted by the Armed Forces for the accommodation of persons subject to the Armed Forces Discipline Act 1971;
- Any hostel, barracks, dormitory, or other similar type of premises providing accommodation for any persons or class of persons;
- A building occupied by a club and used by the club for the provision of temporary or transient accommodation to members of the club;
- Any hotel in respect of which there is in force an on-licence under the Sale of Liquor Act 1989;
- Any hotel, motel, boarding house, or lodging house used for the provision of temporary or transient accommodation; or
- Any camping ground, motor camp, or marina.

Price category GA0R			
Charge type	Code	Units	Rate
Fixed	GA0R-FIXD	\$/day	0.3400
Variable	GA0R-24UC	\$/kWh	0.0261

- The fixed charge (code GA0R-FIXD) is a daily charge applied to the number of days each customer is connected to United Networks' Auckland gas distribution network.
- The variable charge (code GA0R-24UC) applies to all gas distributed to each customer.

Business price category GA01

The GA01 price category applies to all non-residential customers connected to United Networks' Auckland gas distribution network with a load size (installed equipment or meter capacity) of less than or equal to 10 standard cubic metres per hour (scm/h).

Price category GA01			
Charge type	Code	Units	Rate
Fixed	GA01-FIXD	\$/day	0.6200
Variable	GA01-24UC	\$/kWh	0.0165

- The fixed charge (code GA01-FIXD) is a daily charge applied to the number of days each customer is

connected to UnitedNetworks' Auckland gas distribution network.

- The variable charge (code GA01-24UC) applies to all gas distributed to each customer.

Commercial price category GA02

The GA02 price category applies to all non-residential customers connected to UnitedNetworks' Auckland gas distribution network with a load size greater than 10scm/h and less than or equal to 40scm/h.

Price category GA02			
Charge type	Code	Units	Rate
Fixed	GA02-FIXD	\$/day	1.1000
Variable	GA02-24UC	\$/kWh	0.0133

- The fixed charge (code GA02-FIXD) is a daily charge applied to the number of days each customer is connected to UnitedNetworks' Auckland gas distribution network.
- The variable charge (code GA02-24UC) applies to all gas distributed to each customer.

Commercial price category GA03

The GA03 price category applies to all non-residential customers connected to UnitedNetworks' Auckland gas distribution network with a load size greater than 40scm/h and less than or equal to 200scm/h.

Price category GA03			
Charge type	Code	Units	Rate
Fixed	GA03-FIXD	\$/day	4.7200
Variable	GA03-24UC	\$/kWh	0.0102

- The fixed charge (code GA03-FIXD) is a daily charge applied to the number of days each customer is connected to UnitedNetworks' Auckland gas distribution network.
- The variable charge (code GA03-24UC) applies to all gas distributed to each customer.

Industrial price category GA04

The GA04 price category is available to all non-residential customers connected to UnitedNetworks' Auckland gas distribution network with a load size of greater than 200 scm/h. Customers meeting this requirement may choose between the GA04 and GA05 price categories.

Price category GA04			
Charge type	Code	Units	Rate
Fixed	GA04-FIXD	\$/day	14.4800
Variable	GA04-24UC	\$/kWh	0.0068

- The fixed charge (code GA04-FIXD) is a daily charge applied to the number of days each customer is connected to UnitedNetworks' Auckland gas distribution network.
- The variable charge (code GA04-24UC) applies to all gas distributed to each customer.

Industrial price category GA05

The GA05 price category is available to all non-residential customers connected to UnitedNetworks' Auckland gas distribution network with a load size of greater than 200 scm/h. Customers meeting this requirement may choose between the GA04 and GA05 price categories.

Price category GA05			
Charge type	Code	Units	Rate
Fixed	GA05-FIXD	\$/day	200.0000
Variable	GA05-24UC	\$/kWh	0.0015

- The fixed charge (code GA05-FIXD) is a daily charge applied to the number of days each customer is connected to UnitedNetworks' Auckland gas distribution network.
- The variable charge (code GA05-24UC) applies to all gas distributed to each customer.

Extent of charges

UnitedNetworks' distribution charges published in this schedule relate to the cost of owning, operating and maintaining the network as it currently exists but do not include amongst other things, energy charges for the gas customers use, transmission charges, metering charges, the cost of reading meters and the cost of customer fittings or appliances.

In order for UnitedNetworks to supply any new or changed distribution service, including but not limited to; changes to security or service levels, the connection to the network of additional connections and the modification, relocation or removal of current connections, UnitedNetworks may apply non-standard charges other than those outlined in this schedule on a case by case basis.

All rates are exclusive of GST.

For further information

To discuss how UnitedNetworks' distribution charges are applied to customer bills, customers need to contact their gas retailer who bundle UnitedNetworks' distribution charges with their energy charges into a single retail bill.

North Island gas distribution network



Price schedule for gas customers

Effective 1 October 2015

This document describes Vector's standard gas distribution charges which cover the costs of distributing gas to customers connected to the North Island gas distribution network. Vector offers six price categories for North Island gas distribution network customers depending on the customer's connection size and their connection type.

Network definition

The network that customers are supplied from is determined by Vector from time to time based on the physical location of the connection of the customer's premise or property to Vector's North Island gas distribution network. The approximate area covered by the North Island gas distribution network is shown on the following map.



- Barracks conducted by the Armed Forces for the accommodation of persons subject to the Armed Forces Discipline Act 1971;
- Any hostel, barracks, dormitory, or other similar type of premises providing accommodation for any persons or class of persons;
- A building occupied by a club and used by the club for the provision of temporary or transient accommodation to members of the club;
- Any hotel in respect of which there is in force an on-licence under the Sale of Liquor Act 1989;
- Any hotel, motel, boarding house, or lodging house used for the provision of temporary or transient accommodation; or
- Any camping ground, motor camp, or marina.

Price category GNOR			
Charge type	Code	Units	Rate
Fixed	GNOR-FIXD	\$/day	0.3400
Variable	GNOR-24UC	\$/kWh	0.0261

- The fixed charge (code GNOR-FIXD) is a daily charge applied to the number of days each customer is connected to Vector's North Island gas distribution network.
- The variable charge (code GNOR-24UC) applies to all gas distributed to each customer.

Residential price category GNOR

The GNOR price category applies to all residential customers. A residential customer is a customer whose connection is for a private dwelling (intended for occupation mainly as a place of residence) not normally used for any business activity. Business activities include, but are not limited to, the following:

- Any prison that is operated by the Department of Corrections or is a police jail;
- Any hospital, home, or other institution for the care of sick, disabled, or aged persons;
- Police barracks, or police cells and lock-ups;

Business price category GN01

The GN01 price category applies to all non-residential customers connected to Vector's North Island gas distribution network with a load size (installed equipment or meter capacity) of less than or equal to 10 standard cubic metres per hour (scm/h).

Price category GN01			
Charge type	Code	Units	Rate
Fixed	GN01-FIXD	\$/day	0.6200
Variable	GN01-24UC	\$/kWh	0.0165

- The fixed charge (code GN01-FIXD) is a daily charge applied to the number of days each customer is

connected to Vector's North Island gas distribution network.

- The variable charge (code GN01-24UC) applies to all gas distributed to each customer.

Commercial price category GN02

The GN02 price category applies to all non-residential customers connected to Vector's North Island gas distribution network with a load size greater than 10scm/h and less than or equal to 40scm/h.

Price category GN02			
Charge type	Code	Units	Rate
Fixed	GN02-FIXD	\$/day	1.1000
Variable	GN02-24UC	\$/kWh	0.0133

- The fixed charge (code GN02-FIXD) is a daily charge applied to the number of days each customer is connected to Vector's North Island gas distribution network.
- The variable charge (code GN02-24UC) applies to all gas distributed to each customer.

Commercial price category GN03

The GN03 price category applies to all non-residential customers connected to Vector's North Island gas distribution network with a load size greater than 40scm/h and less than or equal to 200scm/h.

Price category GN03			
Charge type	Code	Units	Rate
Fixed	GN03-FIXD	\$/day	4.7200
Variable	GN03-24UC	\$/kWh	0.0102

- The fixed charge (code GN03-FIXD) is a daily charge applied to the number of days each customer is connected to Vector's North Island gas distribution network.
- The variable charge (code GN03-24UC) applies to all gas distributed to each customer.

Industrial price category GN04

The GN04 price category is available to all non-residential customers connected to Vector's North Island gas distribution network with a load size of greater than 200 scm/h. Customers meeting this requirement may choose between the GN04 and GN05 price categories.

Price category GN04			
Charge type	Code	Units	Rate
Fixed	GN04-FIXD	\$/day	14.4800
Variable	GN04-24UC	\$/kWh	0.0068

- The fixed charge (code GN04-FIXD) is a daily charge applied to the number of days each customer is connected to Vector's North Island gas distribution network.
- The variable charge (code GN04-24UC) applies to all gas distributed to each customer.

Industrial price category GN05

The GN05 price category is available to all non-residential customers connected to Vector's North Island gas distribution network with a load size of greater than 200 scm/h. Customers meeting this requirement may choose between the GN04 and GN05 price categories.

Price category GN05			
Charge type	Code	Units	Rate
Fixed	GN05-FIXD	\$/day	200.0000
Variable	GN05-24UC	\$/kWh	0.0015

- The fixed charge (code GN05-FIXD) is a daily charge applied to the number of days each customer is connected to Vector's North Island gas distribution network.
- The variable charge (code GN05-24UC) applies to all gas distributed to each customer.

Extent of charges

Vector's distribution charges published in this schedule relate to the cost of owning, operating and maintaining the network as it currently exists but do not include amongst other things, energy charges for the gas customers use, transmission charges, metering charges, the cost of reading meters and the cost of customer fittings or appliances.

In order for Vector to supply any new or changed distribution service, including but not limited to; changes to security or service levels, the connection to the network of additional connections and the modification, relocation or removal of current connections, Vector may apply non-standard charges other than those outlined in this schedule on a case by case basis.

All rates are exclusive of GST.

For further information

To discuss how Vector's distribution charges are applied to customer bills, customers need to contact their gas retailer who bundle Vector's distribution charges with their energy charges into a single retail bill.

Gas Distribution Charges effective from 1 October 2015

For Vector's Auckland gas distribution network

Disclosure pursuant to Gas Distribution Information Disclosure Determination 2012

AUCKLAND NETWORK					
Price category	Consumer numbers	Charges from 1 October 2014 to 30 September 2015		Charges from 1 October 2015	
		Fixed (\$/day)	Variable (\$/kWh)	Fixed (\$/day)	Variable (\$/kWh)
Residential GA0R	95,000	0.3300	0.0261	0.3400	0.0261
Business GA01	2,300	0.5700	0.0172	0.6200	0.0165
Commercial GA02	2,700	1.0100	0.0133	1.1000	0.0133
Commercial GA03	900	4.3500	0.0102	4.7200	0.0102
Industrial GA04	140	13.3500	0.0068	14.4800	0.0068
Industrial GA05	20	New price category from 1 Oct 2015		200.0000	0.0015

For Vector's North Island gas distribution network

Disclosure pursuant to Gas Distribution Information Disclosure Determination 2012

NORTH ISLAND NETWORK					
Price category	Consumer numbers	Charges from 1 October 2014 to 30 September 2015		Charges from 1 October 2015	
		Fixed (\$/day)	Variable (\$/kWh)	Fixed (\$/day)	Variable (\$/kWh)
Residential GN0R	58,000	0.3300	0.0261	0.3400	0.0261
Business GN01	2,100	0.5700	0.0172	0.6200	0.0165
Commercial GN02	1,300	1.0100	0.0133	1.1000	0.0133
Commercial GN03	490	4.3500	0.0102	4.7200	0.0102
Industrial GN04	60	13.3500	0.0068	14.4800	0.0068
Industrial GN05	10	New price category from 1 Oct 2015		200.0000	0.0015

All charges are exclusive of GST.

Vector's price schedules are available on request from our office located at 101 Carlton Gore Rd, Newmarket, Auckland or can be viewed online at www.vector.co.nz/gas.