



Pursuant to the Commerce Act (Vector Natural Gas Services) Authorisation 2008

# **Annual Compliance Statement Section 1 - Price**

**1 May 2011**

(Public Version for Commerce Commission)

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## **Introduction**

- 1.1 This Annual Compliance Statement (the Statement) is submitted by Vector Limited pursuant to *clause 10.1* of the Commerce Act (Vector Natural Gas Services) Authorisation 2008 (the Authorisation). The Statement has been prepared on 1 May 2011. In the Statement, references to Vector relate only to Vector's gas business controlled under the Authorisation.
- 1.2 The Authorisation requires Vector to demonstrate that prices from 1 October 2011 to 1 July 2012 (the forthcoming pricing year) are compliant with *clause 6*. The Statement demonstrates that Vector's notional revenue does not exceed the allowable notional revenue as provided for in the Authorisation.
- 1.3 The Statement also includes relevant information supporting Vector's pricing and its compliance with the Authorisation during the forthcoming pricing year.
- 1.4 The Authorisation requires Vector to submit specific information on pricing compliance including pass-through costs, new services and excluded services. This information is also contained in the Statement.
- 1.5 Vector considers that this Statement contains sufficient information to enable the Commerce Commission (the Commission) to properly determine that Vector has complied with the terms of the Authorisation.

## **No Breaches of the Authorisation**

- 1.6 Vector confirms that to date, and since our previous Annual Compliance Statement there has been no breach of any of the price related provisions of the Authorisation.

## Prices after the commencement period

2.1 Vector confirms that prices (set in accordance with *clause 7*, the pricing methodology requirements of the Authorisation) comply with the weighted average price cap, *clause 6.2.2* of the Authorisation. *Clause 6.2.2* requires Vector to demonstrate that its notional revenue in the pricing year commencing on 1 October 2011, calculated in accordance with the left hand side of the formula in Table 1, does not exceed the allowable notional revenue calculated in accordance with the right hand side of the formula in Table 1.

**Table 1, Summary price compliance with the weighted average price cap**

Authorisation requirement	Notional revenue is not to exceed Allowable notional revenue		
Authorisation expression	$\sum P_{ij,2011} Q_{ij,2010}$	$\leq$	$(\sum P_{ij,2010} Q_{ij,2010} - C_{2010})(1 + \Delta CPI_{2011})(1 - X) + C_{2011}$
Vector Result	\$48,172,655	$\leq$	\$48,178,267

2.2 Form 3 of Schedule 7 of the Authorisation requires Vector to provide information on the pricing compliance for the pricing period from 1 October 2011 to 1 July 2012. This information has been included in Table 3 of Appendix 1 and Tables 4, 5, 6 and 7 of Appendix 2 which detail the required information.

2.3 In reporting quantity information for standard and non-standard services, Vector has reported the information directly from its billing system. Form 3 of Schedule 7 specifies both price and quantity information to be supplied in Gigajoules (GJ) units. On the Auckland network Vector sets prices and records consumption in kilowatt hours (kWh) as opposed to GJ. For simplicity and to avoid translational errors, the information has been presented in the units in which it is published and recorded (kWh). Expressing the volumes in kWh does not affect the notional revenue calculation.

## New standard services

2.4 Vector confirms that it complies with the weighted average price cap, new standard services, *clause 6.2.3* of the Authorisation. Vector's pricing proposal includes the introduction of a number of new standard services for the period 1 October 2011 to 1 July 2012. The introduction of new services is consistent with the Auckland Gas Distribution Network Pricing Methodology Report, 1 May 2009 (Section 4: Medium Term Pricing Strategy) as approved by the Commerce Commission and does not reflect an amendment to the pricing methodology.

2.5 From 1 October 2011 the medium term price strategy allowed for the introduction of new primary and secondary load groups for customers supplied at greater than 40 and less than or equal to 200 scm/h (standard cubic metres per hour) capacity. Table 2 shows the price structure from 1 October 2010 with the proposed price structure from 1 October 2011.

**Table 2, Mapping existing standard services to new standard services**

Load Group (t-1)	Segment description	Load Group (t)	Segment description
GA0R	Residential	GA0R	Residential
GA01	≤10 scm/h	GA01	≤10 scm/h
GA12	>10 and ≤40 scm/h, Zone 1	GA12	>10 and ≤40 scm/h, Zone 1
GA02	>10 and ≤40 scm/h, Zone 0	GA02	>10 and ≤40 scm/h, Zone 0
GA13	>40 and ≤200 scm/h, Zone 1	GAS3	>40 and ≤200 scm/h, Secondary
GA13	>40 and ≤200 scm/h, Zone 1	GAT3	>40 and ≤200 scm/h, Tertiary
GA03	>40 and ≤200 scm/h, Zone 0	GAS3	>40 and ≤200 scm/h, Secondary
GA03	>40 and ≤200 scm/h, Zone 0	GAT3	>40 and ≤200 scm/h, Tertiary
GAS4	>200 scm/h, Secondary	GAS4	>200 scm/h, Secondary
GAT4	>200 scm/h, Tertiary	GAT4	>200 scm/h, Tertiary

2.6 *Clause 6.2.3* requires Vector to estimate quantities for new standard services in an amendment to the pricing methodology under clause 7.5. As outlined above, Vector has not applied for an amendment to the pricing methodology. The introduction of new standard services from 1 October 2011 is part of the approved pricing methodology and consequently does not represent an amendment. In order to comply with the intention of clause 6.2.3, Vector determined the quantities in relation to the new standard services from 1 October 2011 by determining the connection type (primary, secondary, or tertiary) and quantities (kWh and days) for each GA13 and GA03 ICP under the 2010 price structure and mapped all quantities to the appropriate price under the proposed 2011 price structure.

2.7 Based on the approach above, the quantities under the 2010 price structure sum to the reference quantities, with no further forecasts or estimates required.

**Treatment of non-standard services that have changed to standard services**

2.8 As part of setting prices under the Authorisation, Vector has reviewed all of its non-standard contracts that will expire on or before 1 October 2011. Vector has applied its non-standard criteria, formalised as part of the

commencement period compliance process, to all contracts expired by 1 October 2011. As a result, 20 non-standard customers no longer meet the eligibility requirements for non-standard pricing. From 1 October 2011 these 20 customers will be transferred to standard load groups and prices.

### **Excluded services**

- 2.9 Vector confirms it has not included revenue from excluded services in the weighted average price cap as required by *clause 6.3.2* of the Authorisation.
- 2.10 Form 7 of Schedule 7 of the Authorisation requires Vector to provide information on the revenue from excluded services. Vector has provided this information in Table 10 in Appendix 5.
- 2.11 Vector does not currently receive revenue from a number of the excluded services listed by the Commission including disconnection services, reconnection services and decommission services as these are either provided for free (predominantly for safety reasons), or are provided by other parties.
- 2.12 Vector has excluded revenue from four new non-standard distribution services supplied after 30 September 2007. The revenue for these services is included in Table 10 in Appendix 5.
- 2.13 In reporting revenue for excluded services, Vector has reported the numbers directly from its financial reporting system except for excluded non-standard distribution services which have been reported from Vector's billing system.

### **Pass-through costs**

- 2.14 Vector has included pass-through costs as specified in the Authorisation to determine its compliance with the weighted average price cap.
- 2.15 Form 5 of Schedule 7 of the Authorisation requires Vector to provide information relating to pass-through costs where actual costs have become certain so a difference in pass-through costs can be established. This information has been included in Table 8 of Appendix 3.
- 2.16 Vector has incorporated the difference between the allowed increase (or decrease) in pass-through costs above (or below) the forecast allowance specified in the Authorisation into prices and has not applied to the

Commission to invoice customers directly with a direct pass-through charge.

- 2.17 To determine the total difference in pass-through costs incorporated into prices, Vector has allowed for the time cost of money at the regulated rate of return. Vector has calculated the pre-tax regulated rate of return based on the post tax cost of capital described by the Commission in its 30 October 2008 Decisions Paper on the Authorisation for the Control of Supply of Natural Gas Distribution Services by Powerco Limited and Vector Limited. The pre-tax regulated rate of return has been used as the revenues set to recover the difference in pass-through costs are recorded on a pre-tax basis.
- 2.18 Vector has not identified or applied for any additional categories of costs as pass-through costs as allowed for under *clause 6.4.3* of the Authorisation.
- 2.19 In reporting revenue for pass-through costs, Vector has reported the numbers directly from its financial reporting system.

## Appendix 1, Summary Price Compliance Information

**Table 3, Summary Pricing Compliance Information, (Form 3, Schedule 7)**

Pricing compliance for the period from 1 October 2011 to 1 July 2012.

Definition	Variable	Amount
Previous Year Pass-through Costs Adjustment	$C_{t-1}$	\$ 800,923
Current Year Pass-through Costs Adjustment	$C_t$	\$ 633,665
Change in CPI (in %)	$\Delta CPI_t$	2.91%
X Factor	X	0%
Previous Year Authorised Revenue	$\sum P_{ij,t-1} Q_{ij,ref}$	\$ 47,001,620
Current Year Authorised Revenue	$\sum P_{ij,t} Q_{ij,ref}$	\$ 48,172,655
Maximum Current Year Authorised Revenue	$(\sum P_{ij,t-1} Q_{ij,ref} - C_{t-1})(1 + \Delta CPI_t)(1 - X) + C_t$	\$ 48,178,267
<b>Compliance with Pricing Terms met?</b>		<b>YES</b>

Figures in the table above have been rounded for presentation purposes only. The full figures were used in the calculation for compliance, specifically the change in CPI.

## Appendix 2, Detailed Price and Quantity Information

Pricing compliance for the period from 1 October 2011 to 1 July 2012.

**Table 4, Distribution – Standard Services (t-1), (Form 3, Schedule 7)**

Load Group (t-1)	Previous Pricing Year - Actual (t-1)				
	Price <sub>t-1</sub>		Quantity <sub>t-1</sub>		Revenue <sub>t-1</sub>
	Fixed \$/day	Variable \$/kWh	Fixed Average ICPs	Variable kWh	Total \$
GA01	\$ 0.32	\$ 0.0267	2,202	59,633,817	\$ 1,849,431
GA02	\$ 1.20	\$ 0.0212	2,150	214,481,638	\$ 5,488,509
GA03	\$ 4.50	\$ 0.0134	701	406,516,755	\$ 6,598,020
GA0R	\$ 0.24	\$ 0.0279	81,808	599,222,133	\$ 23,884,679
GA12	\$ 0.98	\$ 0.0130	168	15,794,125	\$ 265,335
GA13	\$ 3.26	\$ 0.0109	77	44,122,401	\$ 572,563
GAS4	\$ 9.61	\$ 0.0086	16	66,316,646	\$ 625,283
GAT4	\$ 9.77	\$ 0.0087	74	204,786,800	\$ 2,044,009
<b>ΣP<sub>ij,t-1</sub>Q<sub>ij,ref</sub></b>			<b>87,194</b>	<b>1,610,874,314</b>	<b>\$ 41,327,828</b>

**Table 5, Distribution – Standard Services (t), (Form 3, Schedule 7)**

Load Group (t)	Forthcoming Pricing Year (t)				
	Price <sub>t</sub>		Quantity <sub>t-1</sub>		Revenue <sub>t</sub>
	Fixed \$/day	Variable \$/kWh	Fixed Average ICPs	Variable kWh	Total \$
GA01	\$ 0.35	\$ 0.0273	2,202	59,633,817	\$ 1,909,324
GA02	\$ 1.25	\$ 0.0200	2,150	214,481,638	\$ 5,270,360
GA0R	\$ 0.24	\$ 0.0303	81,808	599,222,133	\$ 25,322,812
GA12	\$ 1.08	\$ 0.0143	168	15,794,125	\$ 291,991
GAS3	\$ 3.55	\$ 0.0119	94	70,627,234	\$ 961,817
GAS4	\$ 10.21	\$ 0.0091	16	66,316,646	\$ 661,872
GAT3	\$ 3.59	\$ 0.0120	684	380,011,921	\$ 5,456,326
GAT4	\$ 10.75	\$ 0.0096	74	204,786,800	\$ 2,254,634
<b>ΣP<sub>ij,t</sub>Q<sub>ij,ref</sub></b>			<b>87,194</b>	<b>1,610,874,314</b>	<b>\$ 42,129,137</b>



**Table 6, Distribution – Non-Standard Services (t-1), (Form 3, Schedule 7)**

Code (t-1)	Previous Pricing Year - Actual (t-1)				
	Price <sub>t-1</sub>		Quantity <sub>t-1</sub>		Revenue <sub>t-1</sub>
	Fixed \$/day	Variable \$/kWh	Fixed Days	Variable kWh	Total \$
ABC001	\$ 106.000000	\$ 0.000800	365	7,410,018	\$ 44,618
ABC002	\$ 40.000000	\$ 0.000800	365	25,134,037	\$ 34,707
ABC003	\$ 200.000000	\$ 0.000350	396	244,263,917	\$ 164,692
ABC004	\$ 40.000000	\$ 0.000800	365	1,700,868	\$ 15,961
ABC005	\$ 13.350000	\$ 0.002225	365	10,044,872	\$ 27,223
ABC006	\$ -	\$ 0.002200	365	41,766,428	\$ 91,886
ABC007	\$ 15.580700	\$ 0.001800	365	12,201,223	\$ 27,649
ABC008	\$ 145.340000	\$ -	365	13,351,132	\$ 53,049
ABC009	\$ 26.430000	\$ -	365	4,911,035	\$ 9,647
ABC010	\$ 54.210000	\$ -	365	6,529,998	\$ 19,787
ABC011	\$ 5.500000	\$ 0.006700	365	412,398	\$ 4,771
ABC012	\$ 60.000000	\$ 0.000800	365	10,038,260	\$ 29,931
ABC013	\$ 10.700000	\$ 0.004400	365	1,061,285	\$ 8,575
ABC014	\$ 11.300000	\$ 0.006700	365	1,057,844	\$ 11,212
ABC015	\$ 160.000000	\$ 0.000800	365	114,780,918	\$ 150,225
ABC016	\$ 100.000000	\$ 0.010000	365	19,160,912	\$ 228,109
ABC017	\$ 15.000000	\$ 0.010000	365	1,036,223	\$ 15,837
ABC018	\$ 35.013312	\$ 0.001691	365	17,907,670	\$ 43,062
ABC019	\$ 6.000000	\$ 0.004500	365	2,060,177	\$ 11,461
ABC020	\$ 102.430000	\$ 0.003000	365	30,349,151	\$ 128,434
ABC021	\$ 63.640000	\$ 0.002300	365	15,863,808	\$ 59,715
ABC022	\$ 63.640000	\$ 0.002300	365	27,161,367	\$ 85,700
ABC023	\$ 18.700000	\$ -	365	2,937,787	\$ 6,826
ABC024	\$ 10.000000	\$ 0.000800	365	985,860	\$ 4,439
ABC025	\$ 20.000000	\$ 0.000800	365	4,040,255	\$ 10,532
ABC026	\$ 86.270000	\$ 0.000900	365	33,631,807	\$ 61,757
ABC027	\$ 5.500000	\$ 0.001300	365	3,587,195	\$ 6,671
ABC028	\$ 79.265091	\$ 0.003827	365	26,833,732	\$ 131,624
ABC029	\$ 10.680000	\$ 0.005340	365	2,636,952	\$ 17,980
ABC030	\$ 65.000000	\$ 0.002300	365	34,453,672	\$ 102,968
ABC031	\$ 8.900000	\$ 0.001602	365	5,114,751	\$ 11,442
ABC032	\$ 11.500000	\$ 0.001400	182	2,012,716	\$ 4,911
ABC033	\$ 17.300000	\$ 0.005500	365	2,234,407	\$ 18,604
ABC034	\$ 6.800000	\$ 0.005500	365	767,247	\$ 6,702
ABC035	\$ 35.790000	\$ -	365	3,253,747	\$ 13,063
ABC036	\$ 45.000000	\$ 0.005000	365	8,939,684	\$ 61,123
ABC037	\$ 70.000000	\$ 0.004500	365	15,565,840	\$ 95,596
ABC038	\$ 20.915000	\$ 0.002670	365	10,029,637	\$ 34,413
ABC039	\$ 24.810000	\$ 0.003700	365	52,821,124	\$ 204,494
ABC040	\$ 30.000000	\$ 0.004000	365	4,441,334	\$ 28,715
ABC041	\$ 7.900000	\$ 0.006700	365	969,053	\$ 9,376
ABC042	\$ 49.610000	\$ 0.001100	365	12,031,916	\$ 31,343
ABC043	\$ 9.770000	\$ 0.003600	365	1,833,872	\$ 10,168
ABC044	\$ 160.000000	\$ 0.000800	365	104,494,135	\$ 141,995
ABC045	\$ 60.000000	\$ 0.000800	365	3,857,852	\$ 24,986
ABC046	\$ 68.331975	\$ 0.008633	365	13,356,164	\$ 140,245
ABC047	\$ 15.000000	\$ 0.008000	365	612,717	\$ 10,377
ABC048	\$ 94.770000	\$ 0.004300	339	16,197,806	\$ 101,778
ABC049	\$ 30.000000	\$ 0.010000	365	3,390,391	\$ 44,854
ABC050	\$ 222.500000	\$ 0.005785	365	27,122,520	\$ 238,116
ABC051	\$ 64.630000	\$ 0.000900	365	26,772,907	\$ 47,686
ABC052	\$ 59.460000	\$ 0.005200	365	9,160,396	\$ 69,337
ABC053	\$ 35.600000	\$ 0.006675	365	6,030,025	\$ 53,244
ABC054	\$ 35.000000	\$ 0.009000	365	4,308,229	\$ 51,549
ABC055	\$ 18.000000	\$ 0.005500	365	4,193,182	\$ 29,633
ABC056	\$ 98.787508	\$ 0.000925	365	92,333	\$ 36,143
ABC057	\$ 37.000000	\$ 0.007500	365	12,542,190	\$ 107,571



Annual Compliance Statement

Code (t-1)	Previous Pricing Year - Actual (t-1)				
	Price <sub>t-1</sub>		Quantity <sub>t-1</sub>		Revenue <sub>t-1</sub>
	Fixed \$/day	Variable \$/kWh	Fixed Days	Variable kWh	Total \$
ABC058	\$ 2,231.780000	\$ -	365	134,463,669	\$ 814,600
ABC059	\$ 6.230000	\$ 0.011570	365	852,794	\$ 12,141
ABC060	\$ 50.000000	\$ 0.010000	365	3,649,207	\$ 54,742
ABC061	\$ 6.800000	\$ 0.005500	365	670,987	\$ 6,172
ABC062	\$ 60.000000	\$ 0.000800	365	11,584,736	\$ 31,168
ABC063	\$ -	\$ -	365	-	\$ -
ABC064	\$ 207.230000	\$ 0.000800	365	23,266,880	\$ 94,252
ABC065	\$ 25.510604	\$ 0.003827	365	9,117,316	\$ 44,203
ABC066	\$ 20.000000	\$ 0.000800	365	5,028,099	\$ 11,322
ABC067	\$ 16.700000	\$ 0.006700	365	1,600,574	\$ 16,819
ABC068	\$ 25.910000	\$ 0.005600	365	6,059,289	\$ 43,389
ABC069	\$ 31.150000	\$ 0.008900	365	2,925,239	\$ 37,404
ABC070	\$ 4.900000	\$ 0.008000	365	1,152,319	\$ 11,007
ABC071	\$ 1.000000	\$ 0.010000	365	10,695	\$ 472
ABC072	\$ 4.890000	\$ 0.006500	365	1,227,659	\$ 9,765
ABC073	\$ 28.000000	\$ 0.001500	365	22,957,319	\$ 44,656
ABC074	\$ 19.510000	\$ 0.007600	365	4,792,354	\$ 43,543
ABC075	\$ 3.560000	\$ 0.005340	365	312,876	\$ 2,970
ABC076	\$ 8.900000	\$ 0.010680	365	549,532	\$ 9,118
ABC077	\$ 4.890000	\$ 0.007600	365	1,094,695	\$ 10,105
ABC078	\$ 17.800000	\$ 0.010680	365	1,207,854	\$ 19,397
ABC079	\$ 24.480000	\$ 0.002300	365	4,478,061	\$ 19,235
ABC080	\$ 24.480000	\$ 0.002300	365	6,919,699	\$ 24,851
ABC081	\$ 4.070000	\$ 0.003000	365	4,404,719	\$ 14,700
ABC082	\$ 9.770000	\$ 0.003200	365	2,531,943	\$ 11,668
ABC083	\$ 9.500000	\$ 0.006200	365	2,044,031	\$ 16,140
ABC084	\$ 45.050000	\$ 0.002900	365	16,112,557	\$ 63,170
ABC085	\$ 13.350000	\$ 0.011570	365	533,381	\$ 11,044
ABC086	\$ 17.800000	\$ 0.001602	365	19,005,376	\$ 36,944
ABC087	\$ 34.120000	\$ 0.002300	365	11,121,450	\$ 38,033
ABC088	\$ 6.230000	\$ 0.011570	365	472,158	\$ 7,737
ABC089	\$ 98.787508	\$ 0.000925	365	39,752,867	\$ 72,829
ABC090	\$ 3.700000	\$ 0.012200	365	10,453,136	\$ 128,879
ABC091	\$ 4.500000	\$ 0.004000	365	1,335,095	\$ 6,983
ABC092	\$ 9.000000	\$ 0.000500	365	4,225,703	\$ 5,398
ABC093	\$ 51.531000	\$ 0.006764	365	7,081,576	\$ 66,709
ABC094	\$ 98.787508	\$ 0.000925	365	18,120,037	\$ 52,818
ABC095	\$ 30.000000	\$ 0.010000	365	3,655,316	\$ 47,503
ABC096	\$ 24.030000	\$ 0.007120	365	2,144,932	\$ 24,043
ABC097	\$ 13.350000	\$ 0.011570	365	751,127	\$ 13,563
ABC098	\$ 187.870000	\$ 0.002000	365	24,653,654	\$ 117,880
ABC099	\$ 26.700000	\$ 0.010680	365	3,097,949	\$ 42,832
ABC100	\$ 25.000000	\$ 0.008000	365	1,424,165	\$ 20,518
ABC101	\$ 45.220000	\$ 0.003900	365	7,671,692	\$ 46,425
ABC102	\$ 4.070000	\$ 0.010700	365	4,526,114	\$ 49,915
ABC103	\$ 98.787508	\$ 0.000925	365	16,290,555	\$ 51,126
ABC104	\$ 30.000000	\$ 0.010000	365	4,358,942	\$ 54,539
ABC105	\$ 57.510000	\$ 0.002000	365	22,486,681	\$ 65,965
ABC106	\$ 51.120000	\$ 0.002000	365	34,788,320	\$ 88,235
ABC107	\$ 5.000000	\$ 0.005500	365	432,264	\$ 4,202
ABC108	\$ 2.733279	\$ 0.005963	365	684,446	\$ 5,079
ABC109	\$ 30.000000	\$ 0.002000	365	16,413,517	\$ 43,777
Non-standard scaling		\$ 0.003514	-	37,764,676	-\$ 132,705
<b>ΣP<sub>ij,t-1</sub> Q<sub>ij,ref</sub></b>				<b>1,556,187,853</b>	<b>\$ 5,673,792</b>



**Table 7, Distribution – Non-Standard Services (t), (Form 3, Schedule 7)**

Code (t)	Forthcoming Pricing Year (t)				
	Price <sub>t</sub>		Quantity <sub>t-1</sub>		Revenue <sub>t</sub>
	Fixed \$/day	Variable \$/kWh	Fixed Average ICPs	Variable kWh	Total \$
ABC001	\$ 106.000000	\$ 0.000800	365	7,410,018	\$ 44,618
ABC002	\$ 40.000000	\$ 0.000800	365	25,134,037	\$ 34,707
ABC003	\$ 200.000000	\$ 0.000350	396	244,263,917	\$ 164,692
ABC004	\$ 40.000000	\$ 0.000800	365	1,700,868	\$ 15,961
ABC005	\$ 17.760000	\$ 0.003000	365	10,044,872	\$ 36,617
ABC006	\$ -	\$ 0.002500	365	41,766,428	\$ 104,416
ABC007	\$ 15.580700	\$ 0.001800	365	12,201,223	\$ 27,649
ABC008	\$ 160.000000	\$ -	365	13,351,132	\$ 58,400
ABC009	\$ 29.070000	\$ -	365	4,911,035	\$ 10,611
ABC010	\$ 62.340000	\$ -	365	6,529,998	\$ 22,754
ABC011	\$ 3.550000	\$ 0.011900	365	412,398	\$ 6,203
ABC012	\$ 60.000000	\$ 0.000800	365	10,038,260	\$ 29,931
ABC013	\$ 10.750000	\$ 0.009600	365	1,061,285	\$ 14,112
ABC014	\$ 3.590000	\$ 0.012000	365	1,057,844	\$ 14,004
ABC015	\$ 160.000000	\$ 0.000800	365	114,780,918	\$ 150,225
ABC016	\$ 100.000000	\$ 0.010000	365	19,160,912	\$ 228,109
ABC017	\$ 15.000000	\$ 0.010000	365	1,036,223	\$ 15,837
ABC018	\$ 45.000000	\$ 0.002200	365	17,907,670	\$ 55,822
ABC019	\$ 6.000000	\$ 0.004500	365	2,060,177	\$ 11,461
ABC020	\$ 106.550000	\$ 0.003100	365	30,349,151	\$ 132,973
ABC021	\$ 70.000000	\$ 0.002500	365	15,863,808	\$ 65,210
ABC022	\$ 73.190000	\$ 0.002600	365	27,161,367	\$ 97,334
ABC023	\$ 20.570000	\$ -	365	2,937,787	\$ 7,508
ABC024	\$ 10.000000	\$ 0.000800	365	985,860	\$ 4,439
ABC025	\$ 20.000000	\$ 0.000800	365	4,040,255	\$ 10,532
ABC026	\$ 99.210000	\$ 0.001000	365	33,631,807	\$ 69,843
ABC027	\$ 5.500000	\$ 0.001300	365	3,587,195	\$ 6,671
ABC028	\$ 105.420000	\$ 0.005100	365	26,833,732	\$ 175,330
ABC029	\$ 10.680000	\$ 0.005340	365	2,636,952	\$ 17,980
ABC030	\$ 65.000000	\$ 0.001000	365	34,453,672	\$ 58,179
ABC031	\$ 8.900000	\$ 0.001602	365	5,114,751	\$ 11,442
ABC032	\$ 12.650000	\$ 0.001500	182	2,012,716	\$ 5,321
ABC033	\$ 3.550000	\$ 0.011900	365	2,234,407	\$ 27,885
ABC034	\$ 3.550000	\$ 0.011900	365	767,247	\$ 10,426
ABC035	\$ 39.370000	\$ -	365	3,253,747	\$ 14,370
ABC036	\$ 50.000000	\$ 0.005500	365	8,939,684	\$ 67,418
ABC037	\$ 70.000000	\$ 0.004500	365	15,565,840	\$ 95,596
ABC038	\$ 20.915000	\$ 0.002670	365	10,029,637	\$ 34,413
ABC039	\$ 27.290000	\$ 0.004200	365	52,821,124	\$ 231,810
ABC040	\$ 39.900000	\$ 0.005300	365	4,441,334	\$ 38,103
ABC041	\$ 3.590000	\$ 0.012000	365	969,053	\$ 12,939
ABC042	\$ 55.000000	\$ 0.001200	365	12,031,916	\$ 34,513
ABC043	\$ 10.750000	\$ 0.009600	365	1,833,872	\$ 21,529
ABC044	\$ 160.000000	\$ 0.000800	365	104,494,135	\$ 141,995
ABC045	\$ 60.000000	\$ 0.000800	365	3,857,852	\$ 24,986
ABC046	\$ 10.210000	\$ 0.009100	365	13,356,164	\$ 125,268
ABC047	\$ 15.000000	\$ 0.008000	365	612,717	\$ 10,377
ABC048	\$ 104.250000	\$ 0.004700	339	16,197,806	\$ 111,470
ABC049	\$ 30.000000	\$ 0.010000	365	3,390,391	\$ 44,854
ABC050	\$ 222.500000	\$ 0.005785	365	27,122,520	\$ 238,116
ABC051	\$ 71.090000	\$ 0.001000	365	26,772,907	\$ 52,721
ABC052	\$ 66.000000	\$ 0.005700	365	9,160,396	\$ 76,304
ABC053	\$ 35.600000	\$ 0.006675	365	6,030,025	\$ 53,244
ABC054	\$ 35.000000	\$ 0.009000	365	4,308,229	\$ 51,549
ABC055	\$ 18.000000	\$ 0.005500	365	4,193,182	\$ 29,633
ABC056	\$ 98.787508	\$ 0.000925	365	92,333	\$ 36,143
ABC057	\$ 10.750000	\$ 0.009600	365	12,542,190	\$ 124,329



Annual Compliance Statement

Code (t)	Forthcoming Pricing Year (t)				
	Price <sub>t</sub>		Quantity <sub>t-1</sub>		Revenue <sub>t</sub>
	Fixed \$/day	Variable \$/kWh	Fixed Average ICPs	Variable kWh	Total \$
ABC058	\$ 2,231.780000	\$ -	365	134,463,669	\$ 814,600
ABC059	\$ 6.230000	\$ 0.011570	365	852,794	\$ 12,141
ABC060	\$ 50.000000	\$ 0.010000	365	3,649,207	\$ 54,742
ABC061	\$ 3.590000	\$ 0.012000	365	670,987	\$ 9,362
ABC062	\$ 60.000000	\$ 0.000800	365	11,584,736	\$ 31,168
ABC063	\$ -	\$ -	365	-	\$ -
ABC064	\$ 238.310000	\$ 0.000900	365	23,266,880	\$ 107,923
ABC065	\$ 33.930000	\$ 0.005100	365	9,117,316	\$ 58,883
ABC066	\$ 20.000000	\$ 0.000800	365	5,028,099	\$ 11,322
ABC067	\$ 3.590000	\$ 0.012000	365	1,600,574	\$ 20,517
ABC068	\$ 29.800000	\$ 0.006400	365	6,059,289	\$ 49,656
ABC069	\$ 31.150000	\$ 0.008900	365	2,925,239	\$ 37,404
ABC070	\$ 3.550000	\$ 0.011900	365	1,152,319	\$ 15,008
ABC071	\$ 1.000000	\$ 0.010000	365	10,695	\$ 472
ABC072	\$ 3.550000	\$ 0.011900	365	1,227,659	\$ 15,905
ABC073	\$ 28.000000	\$ 0.001500	365	22,957,319	\$ 44,656
ABC074	\$ 10.750000	\$ 0.009600	365	4,792,354	\$ 49,930
ABC075	\$ 3.560000	\$ 0.005340	365	312,876	\$ 2,970
ABC076	\$ 8.900000	\$ 0.010680	365	549,532	\$ 9,118
ABC077	\$ 3.550000	\$ 0.011900	365	1,094,695	\$ 14,323
ABC078	\$ 17.800000	\$ 0.010680	365	1,207,854	\$ 19,397
ABC079	\$ 26.930000	\$ 0.002500	365	4,478,061	\$ 21,025
ABC080	\$ 24.480000	\$ 0.002700	365	6,919,699	\$ 27,618
ABC081	\$ 4.480000	\$ 0.003300	365	4,404,719	\$ 16,171
ABC082	\$ 10.750000	\$ 0.009600	365	2,531,943	\$ 28,230
ABC083	\$ 10.210000	\$ 0.009100	365	2,044,031	\$ 22,327
ABC084	\$ 51.810000	\$ 0.003300	365	16,112,557	\$ 72,082
ABC085	\$ 13.350000	\$ 0.011570	365	533,381	\$ 11,044
ABC086	\$ 17.800000	\$ 0.001602	365	19,005,376	\$ 36,944
ABC087	\$ 39.240000	\$ 0.002600	365	11,121,450	\$ 43,238
ABC088	\$ 6.230000	\$ 0.011570	365	472,158	\$ 7,737
ABC089	\$ 98.787508	\$ 0.000925	365	39,752,867	\$ 72,829
ABC090	\$ 3.550000	\$ 0.011900	365	10,453,136	\$ 125,688
ABC091	\$ 3.550000	\$ 0.011900	365	1,335,095	\$ 17,183
ABC092	\$ 9.000000	\$ 0.000500	365	4,225,703	\$ 5,398
ABC093	\$ 10.750000	\$ 0.009600	365	7,081,576	\$ 71,907
ABC094	\$ 98.787508	\$ 0.000925	365	18,120,037	\$ 52,818
ABC095	\$ 30.000000	\$ 0.010000	365	3,655,316	\$ 47,503
ABC096	\$ 24.030000	\$ 0.007120	365	2,144,932	\$ 24,043
ABC097	\$ 13.350000	\$ 0.011570	365	751,127	\$ 13,563
ABC098	\$ 216.050000	\$ 0.002300	365	24,653,654	\$ 135,562
ABC099	\$ 26.700000	\$ 0.010680	365	3,097,949	\$ 42,832
ABC100	\$ 25.000000	\$ 0.008000	365	1,424,165	\$ 20,518
ABC101	\$ 52.000000	\$ 0.004500	365	7,671,692	\$ 53,503
ABC102	\$ 4.480000	\$ 0.011800	365	4,526,114	\$ 55,043
ABC103	\$ 98.787508	\$ 0.000925	365	16,290,555	\$ 51,126
ABC104	\$ 30.000000	\$ 0.010000	365	4,358,942	\$ 54,539
ABC105	\$ 66.140000	\$ 0.002300	365	22,486,681	\$ 75,860
ABC106	\$ 58.790000	\$ 0.002300	365	34,788,320	\$ 101,471
ABC107	\$ 5.000000	\$ 0.005500	365	432,264	\$ 4,202
ABC108	\$ 3.640000	\$ 0.007900	365	684,446	\$ 6,736
ABC109	\$ 45.000000	\$ 0.002600	365	16,413,517	\$ 59,100
Non-standard scaling		\$ 0.003514	-	37,764,676	-\$ 132,705
$\sum P_{ij,t} Q_{ij,ref}$				1,556,187,853	\$ 6,043,518

## Appendix 3, Pass-through Costs

**Table 8, Pass-through costs, (Form 5, Schedule 7)**

Pass-through costs for the pricing period from 1 July 2007 to 30 June 2010.

**Pass-through Costs Report for the Reporting Period from 1 July 2007 to 30 June 2010**

	2008	2009	2010	2011	2012
<b>Local Authority Rates</b>					
Allowance in Authorisation	\$ 476,000	\$ 489,000	\$ 500,000		
Actual amount	\$ 703,967	\$ 547,042	\$ 598,713		
Increase (decrease) from allowance	<b>\$ 227,967</b>	<b>\$ 58,042</b>	<b>\$ 98,713</b>		
Previously claimed (Y/N?)	N	N	N		
Difference claimed in this application	\$ 227,967	\$ 58,042	\$ 98,713		
<b>Levy under the Commerce (Levy for Control of Natural Gas Services) Regulations 2005</b>					
Allowance in Authorisation	\$ 962,500	\$ 251,500	\$ 300,000		
Actual amount	\$ 1,287,902	\$ 801,345	\$ 610,528		
Increase (decrease) from allowance	<b>\$ 325,402</b>	<b>\$ 549,845</b>	<b>\$ 310,528</b>		
Previously claimed (Y/N?)	N	N	N		
Difference claimed in this application	\$ 325,402	\$ 549,845	\$ 310,528		
<b>Electricity and Gas Complaints Commissioner Scheme membership levy</b>					
Allowance in Authorisation	\$ 13,180	\$ 14,130	\$ 14,452		
Actual amount	\$ 7,523	\$ 13,402	\$ 12,605		
Increase (decrease) from allowance	<b>-\$ 5,657</b>	<b>-\$ 728</b>	<b>-\$ 1,847</b>		
Previously claimed (Y/N?)	N	N	N		
Difference claimed in this application	-\$ 5,657	-\$ 728	-\$ 1,847		
<b>Levies under section 53ZE of the Commerce Act 1986 (as continued in force by section 55G of that Act)</b>					
Allowance in Authorisation	\$ -	\$ -	\$ -		
Actual amount	\$ -	\$ -	\$ -		
Increase (decrease) from allowance	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
Previously claimed (Y/N?)	N	N	N		
Difference claimed in this application	\$ -	\$ -	\$ -		
<b>Levies (if any) under the Gas Act 1992</b>					
Allowance in Authorisation	\$ -	\$ -	\$ -		
Actual amount	\$ -	\$ -	\$ -		
Increase (decrease) from allowance	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
Previously claimed (Y/N?)	N	N	N		
Difference claimed in this application	\$ -	\$ -	\$ -		
<b>Audit fees for issuing reports in Forms 2 and 10 of Schedule 7 of the Authorisation</b>					
Allowance in Authorisation	\$ -	\$ -	\$ -		
Actual amount	\$ -	\$ 110,000	\$ 160,000		
Increase (decrease) from allowance	<b>\$ -</b>	<b>\$ 110,000</b>	<b>\$ 160,000</b>		
Previously claimed (Y/N?)	N	N	N		
Difference claimed in this application	\$ -	\$ 110,000	\$ 160,000		
<b>Total difference claimed (before allowing for return)</b>	<b>\$ 547,712</b>	<b>\$ 717,159</b>	<b>\$ 567,394</b>		
Pre-tax Regulated Rate of Return	11.68%	11.68%	11.68%	11.68%	11.68%
<b>Total difference claimed (after allowing for the time cost of money at the regulated rate of return)</b>					
<b>Total difference claimed</b>	<b>\$ 611,685</b>	<b>\$ 800,923</b>	<b>\$ 633,665</b>		
Amount proposed to be directly invoiced	\$ -	\$ -	\$ -		
Amount to be used in weighted average price cap	\$ 611,685	\$ 800,923	\$ 633,665		

## Appendix 4, New Services

Form 6 of Schedule 7 of the Authorisation requires Vector to provide information on movement from standard to non-standard distribution services.

### Table 9, Movement from Standard to non-Standard Distribution Services, (Form 6, Schedule 7)

For the reporting period 1 July 2009 to 30 June 2010

Date of commencement of new service	Movement from Standard to Non-Standard Distribution Service (ICP)	Move at the request of business or client?	Annual Quantity (kWh)	Previous Standard Load Group	Previous Pricing Terms (\$/day)	Previous Pricing Terms (\$/kWh)	New Pricing Terms (\$/day)	New Pricing Terms (\$/kWh)
-	-	-	-	-	-	-	-	-

## Appendix 5, Excluded Services

### Table 10, Excluded Services, (Form 7, Schedule 7)

For the reporting period 1 July 2009 to 30 June 2010.

<b>Excluded Services</b>	<b>Revenue (\$'000)</b>
Disconnection services	-
Reconnection services	-
Decommission services	-
Gas connection services for new services	2,304
Excluded non-standard distribution services	142
<b>Total</b>	<b>2,446</b>



Pursuant to the Commerce Act (Vector Natural Gas  
Services) Authorisation 2008

# **Annual Compliance Statement**

## **Section 2 - Quality**

**1 May 2011**

(Public Version for Commerce Commission)

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## Introduction

- 1.1 This annual compliance statement ("the Statement") is submitted by Vector Limited pursuant to *clause 10.1* of the Commerce Act (Vector Natural Gas Services) Authorisation 2008 ("the Authorisation"). This Statement has been prepared on 01/05/2011. In this statement, references to Vector relate only to Vector's gas business controlled under the Authorisation.
- 1.2 The Authorisation requires Vector to disclose information on the quality of services supplied in accordance with *clause 10, Schedules 5 and 6, and Form 8 of Schedule 7*.
- 1.3 This Statement discloses information on the quality of Vector's controlled services from 01/07/2009 to 30/06/2010, and demonstrates Vector's performance against the thresholds provided in *Schedule 5* during the reporting period. The Statement contains detailed explanations of the reasons for instances of quality performance not meeting the thresholds in *Schedule 5*.
- 1.4 Last year's compliance statement referred (in section 3.3) to deficiencies in the quality of data covering the period prior to the transition of Vector's service provider and the introduction of new data capture systems. Data for part of this period was recovered, leaving a seven-week period from 01/08/2009 to 18/09/2009 for which data is incomplete. Accordingly, Vector is in breach of the provisions of the Authorisation in respect of the quality of the data used to prepare the quality section of the Statement.
- 1.5 The data at issue principally relates to Publically Reported Escapes of gas (PREs), and potentially impacts the accuracy of the calculations for SAIDI (System Average Interruption Duration Index), SAIFI (System Average Interruption Frequency Index) and CAIDI (Customer Average Interruption Duration Index), Outage Events and Responses to Emergencies, as described below.
- 1.6 The following details were not historically recorded for some PRE events: customers affected by an outage, total outage duration and emergency services attendance. The following indicators rely on this data:
  - Unplanned SAIDI
  - Unplanned SAIFI
  - Unplanned CAIDI
  - Outage Events
  - Responses to Emergency

- 1.7 Consequently, the missing data may impact the accuracy of these indicators. The potential impact is likely to be relatively minor because PREs rarely affect more than five customers and most are therefore not defined as outage events.
- 1.8 As required by the Authorisation, the Statement provides details of the nature and extent of these issues, the period concerned, and outlines the actions Vector has taken to mitigate such occurrences in future.
- 1.9 Vector considers that this Statement contains sufficient information to enable the Commission to properly determine Vector's compliance with the terms of clause 10.5 of the Authorisation.

## **Reporting of quality performance**

### **Breaches of Thresholds**

#### 2.1 Unplanned SAIDI calculation

$$\begin{aligned} \text{Definition} &= (\text{Customer Minutes}/\text{Avg Customer count}) \times 1000 \\ &= 38,056/86,840*1000 \\ &= 438.2 \end{aligned}$$

$$\text{Target} = 121$$

Result: Breach of Threshold

#### 2.2 Unplanned SAIFI calculation

$$\begin{aligned} \text{Definition} &= (\text{Customers Affected}/\text{Avg Customer count}) \times 1000 \\ &= 414/86,840*1000 \\ &= 4.8 \end{aligned}$$

$$\text{Target} = 4.4$$

Result: Breach of Threshold

- 2.3 As stated in last year's submission, Vector maintains that the unplanned SAIDI breaches do not represent a true deterioration in network reliability but are a consequence of improved reporting accuracy, in response to which Vector has spent considerable efforts in improving data capture. The historical period on which the thresholds are based is of questionable robustness as acknowledged by the Commerce Commission in Decision No 657 dated 30/10/2008.
- 2.4 Because the absolute figures for unplanned SAIDI and unplanned SAIFI are so low (being measured in thousandths of minutes), it is highly sensitive to

a small number of incidents. Consequently, in practical terms, it is rarely possible to translate fluctuations into targeted improvement activities.

Table 1: Comparison with previous years. Note that statistics prior to 2008/09 were collected for internal reporting purposes and have not been subjected to audit.

Regulation Year	TPD count	Unplanned SAIDI	Unplanned SAIFI	CAIDI
2009/10	315	438	4.8	91
2008/09	335	431	3.8	112
2007/08	477	2,337	7.3	321
2006/07	435	132	4.4	30
2005/06	391	82	4.2	20
2004/05	431	108	3.9	28
2003/04	441	125	5.6	22

## 2.5 Responses to Emergency

$$\begin{aligned}
 \text{Definition} &= \frac{\# \text{ of Emergencies responded to within one hour}}{\text{Total number of Emergencies}} \\
 &= \frac{104}{116} \\
 &= 89.7\%
 \end{aligned}$$

Target = 95% responded to within one hour

Result: Breach of Threshold

2.6 As described in last year's statement, Vector's emergency response process experienced intermittent dispatching issues until the system upgrade in September 2009. The legacy system experienced occasional file-transfer delays which meant that field technicians were not always dispatched promptly.

2.7 The system upgrade removed the source of this delay and a marked improvement in responsiveness has been achieved. In the period 01/07/2009-18/09/2009 when the original system was in place, 14 of 19 emergencies (74%) were attended within 60 minutes. After the system upgrade, 90 of 97 emergencies (93%) were responded to within the target time.

2.8 Improvements during and since the 2009/10 regulatory year include the implementation of more robust business processes around data capture, quality control and quality assurance and the use of geospatial tracking devices in service provider's vehicles. Additionally, the service provider's KPIs have been aligned more closely with the Commerce Commission quality performance indicators (as noted in last year's compliance

statement, section 2.19) and now include a stretch target for responses to emergencies of 50 minutes.

## **Breaches of the Authorisation**

- 3.1 Vector has breached the provisions of the Authorisation in respect of the quality of the data used to prepare the quality section of the Statement.
- 3.2 The data collection processes introduced to fulfil the additional information requirements in 2008/09 lapsed during organisational restructuring by the previous service provider. This was flagged in the last compliance statement, as was the fact that data was not adequately collected up to the point a new service provider took over on 18 September 2009. It was also flagged that this would have an adverse impact on our compliance statement covering the period from 1 July 2009 to 30 June 2010. Extensive efforts have been made to recover the missing data but, while four weeks data has been recovered, a data gap of seven weeks at the beginning of the period remains.
- 3.3 New systems and processes for data collection and management were implemented at the time of the introduction of the new service provider from 18 September 2009. In particular, entry of data by service provider into Vector's Customer Management System (CMS) eliminated the reliance on summary spreadsheets. Procedures were put in place for the comprehensive recording of gas network reliability data in the field using a new, purpose-designed job card system. The job cards captured the data which was then loaded into CMS.
- 3.4 During the initial period the administration of job card records by the new service provider was unsatisfactory. A material number of job cards were not retained for audit purposes and there were a number of data discrepancies between the job cards and the data loaded into CMS. Both Vector and service provider staff have put considerable effort into identifying alternative sources of data to replace or corroborate information in CMS. While this has addressed some of the issues identified in the audit it has not been sufficient to meet the challenging standards for audit testing of this type of information.
- 3.5 The legacy issues impacting our data, noted in 3.2 above, together with the problems discussed in 3.4 above, are such that KPMG has decided to disclaim the results of a number of affected quality measures.
- 3.6 A range of steps have been implemented to rectify these problems and reduce the likelihood of further breaches, including modifications to the job

card design and CMS to further mitigate the likelihood of continuing data accuracy issues process and operational process improvements related to document management put in place by Vector's service provider.

- 3.7 As noted in last year's compliance statement, periodic audits of service provider data collection have been instituted. Since these were started, in April 2010, the retention of job cards has improved dramatically. Checking the accuracy of the data collection is presently underway. While this process is ongoing, initial indications are that a small number of errors continue to occur in the data but in most, if not all, cases the correct data can be confirmed from alternative sources.
- 3.8 It is expected, therefore, that a step change will be achieved in data quality in the reporting period covering 1 July 2010 to 30 June 2011.

## Appendix 1, Quality Performance

For the Reporting Period 1 July 2009 to 30 June 2010

**Table 2, System Reliability Information, (Form 8, Schedule 7)**

Indicator	Calculation	Threshold	Value
<b>SAIDI – unplanned, excluding transmission faults</b>	$[(\text{Sum of (unplanned interruption durations)} - \text{Sum of (unplanned interruption durations caused by transmission faults)}) / \text{average total customer numbers}] \times 1000$	121	438.2
<b>SAIFI – unplanned, excluding transmission faults</b>	$[(\text{Sum of (no of customers affected by each unplanned interruption not caused by transmission faults)} / \text{average total customer numbers})] \times 1000$	4.4	4.8
<b>CAIDI – unplanned, excluding transmission faults</b>	SAIDI – unplanned, excl transmission faults / SAIFI – unplanned, excl transmission faults	Not applicable	91
<b>SAIDI planned</b>	Sum of (planned interruption durations) / average total customer numbers	Not applicable	3.3
<b>SAIFI – planned</b>	Sum of (number of planned interruptions) / average total customer numbers	Not applicable	0.008
<b>Outage Events</b>	Number of Outage events	Not applicable	5
<b>Outage Events caused by third party damage</b>	Number of Outage events caused by Third Party Damage	Not applicable	2

**Table 3, System Condition and Integrity Information, (Form 8, Schedule 7)**

<b>Indicator</b>	<b>Calculation</b>	<b>Threshold</b>	<b>Value</b>
<b>Third Party Damage Events</b>	Number of third party damage events/total length of pipeline [kms]	Not applicable	0.057
<b>Leaks</b>	Number of leaks detected on distributor's network by routine network survey / total length of pipeline [kms] * 1000	Not applicable	1.1
<b>Public Reported Escapes (PRE)</b>	Number of confirmed public reported escapes of gas / total length of pipeline [kms] * 1000	219.6	64.8
<b>Poor pressure due to network causes</b>	Number of poor pressure events	Not applicable	1
<b>Unaccounted for Gas</b>	Unaccounted for gas/total gas input at entry points	Not applicable	2.29%

**Table 4, Customer Service Information, (Form 8, Schedule 7)**

<b>Indicator</b>	<b>Calculation</b>	<b>Threshold</b>	<b>Value</b>
<b>Responses to Emergency</b>	Number responded to within one hour/total number of emergencies	95% responded to within one hour	89.7%
<b>Answering Telephone calls</b>	Telephone calls to the emergency number will be answered by a individual within 30 seconds	Not applicable	79.4%
<b>Complaints</b>	Number of complaints/average total customer numbers	Not applicable	0.00043