

VECTOR GAS DISTRIBUTION SERVICES 2027 PRICING METHODOLOGY

From 1 October 2026

Pursuant to:

The Gas Distribution Information Disclosure Determination 2012
(as amended)



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1 – INTRODUCTION

Vector Limited (“Vector”, “we”, “us” or “our”) owns and operates the gas distribution network (Network) serving the greater Auckland region. We recover the costs of providing gas distribution services through a combination of published standard and non-standard prices for gas distribution services, as well as capital contributions for new connections, new sole use assets, augmented connections and augmented sole use assets. We are regulated by the Commerce Commission (Commission) and are required to publish our pricing methodology for gas distribution services (Pricing Methodology).

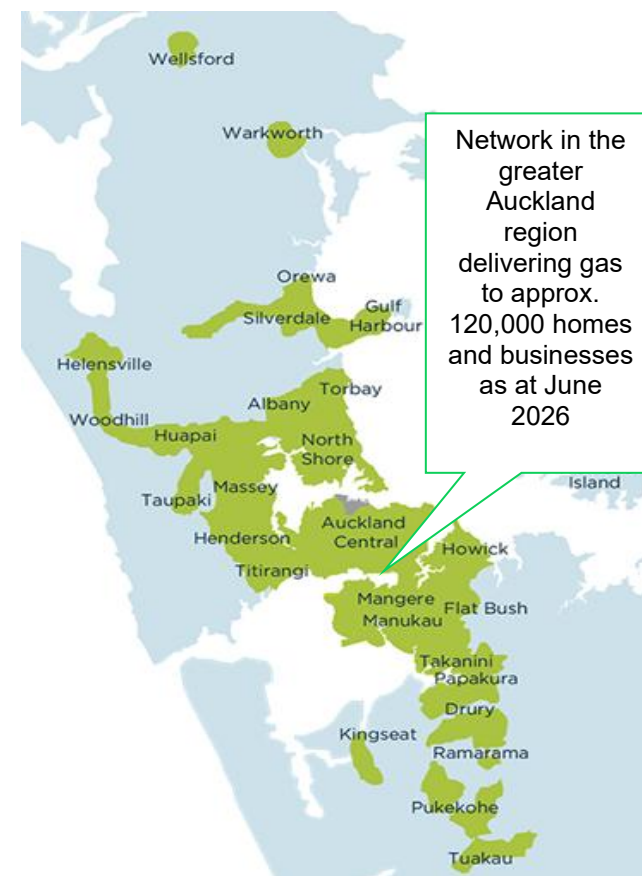
This Pricing Methodology meets the requirements of the Gas Distribution Information Disclosure Determination 2012 (as amended) (ID)¹. It describes our consumer groups, price categories, price components, explains how we set prices and outlines how our Cost-of-Service Model (COSM) allocates target revenue to consumer groups.

We set prices so that notional revenue calculated under the Commission’s Default Price Path (DPP Determination)² does not exceed allowable notional revenue.

When setting prices, we consider the existing price structure, consumer bill impacts, revenue recovery risk, generally accepted pricing principles, including those pricing principles prescribed by the Commission and the allocation of costs amongst consumer groups. We have discretion in how we allocate revenue among consumer groups, provided that our approach is consistent with pricing principles.

For 1 October 2026 to 30 September 2027 (PY27), we applied a weighted-average price increase evenly across the fixed and variable components of each standard price category. As a result, consumers within a standard price category will generally experience the same percentage change in Vector’s distribution charges, assuming their consumption remains unchanged. The price changes that apply from 1 October 2026 are explained on page 6.

We generally charge gas retailers for using our distribution network. Retailers typically combine our distribution charges with other costs, including the cost of gas, transmission services and metering, and bill their customers for the combined amount. Each retailer decides how and when to pass our price changes through to its customers. Accordingly, the effect on an end customer’s total gas bill will depend on their retailer, pricing plan and gas use. References in this pricing methodology to consumers, consumer groups and prices relate to the gas distribution services and prices applicable to the relevant consumers, even though we generally charge those prices to gas retailers.



¹ Gas Distribution Information Disclosure Determination 2012 (as amended), clause 8.4. The ID requires price change commentary relating to the pricing strategy, but we do not currently have a pricing strategy as defined in the ID. A pricing strategy is a decision made by the Directors on the gas distribution business’ plans or strategy to amend or develop prices in the future, and recorded in writing

² Gas Distribution Services Default Price-Quality Path Determination 2026 (DPP4)

2 – CONSUMER GROUPS AND PRICE CATEGORIES³

We determine consumer groups based on how consumers use the network and the nature of the network service they receive. We determine consumer groups at a relatively high level because of the physical nature of gas distribution networks and the limited information available on consumer demand characteristics. In particular:

- There is a high degree of network meshing and interconnection of consumers;
- Consumers are not generally geographically segmented according to their use of different network assets. For example, there are few exclusively industrial or residential areas; and
- The network serves consumers with a wide range of consumption levels.

For PY27, we have retained the same four standard consumer groups as PY26⁴. These groups are based on capacity and the maximum flow rate of the consumer's connection, measured in standard cubic metres per hour (scm/h), as shown in Table 1. Consumers on non-standard contracts that have met the eligibility criteria outlined in Appendix 1 are included in a separate consumer group. Consumer groups are mutually exclusive, meaning each consumer can belong to only one group.

Table 1: Consumer groups and price categories

Consumer group	Max flow rate (scm/h)	Price category code	Price description
Mass Market	≤ 10	➤ GA0R ➤ GA01	➤ Residential ➤ General
Small commercial	10 to 40	➤ GA02	➤ Small commercial
Large commercial	40 to 200	➤ GA03	➤ Large commercial
Industrial	> 200	➤ GA04 ➤ GA05	➤ Small industrial ➤ Large industrial
Non-standard	Various	➤ 1G40 ➤ 1G60	➤ Non-standard

The mass market consumer group is divided into the residential and general price categories. The small commercial and large commercial consumer groups each correspond to a single price category.

The industrial consumer group is divided into the small industrial and large industrial price categories. The large industrial price category is suitable for consumers with annual consumption greater than approximately 41,100 MWh per annum.⁵

³ ID 2.4.3 (5)

⁴ Pricing year 2026 (PY26) is 1 October 2025 to 30 September 2026

⁵ MWh is a megawatt-hour, a unit of energy being the product of power in megawatts and time in hours

3 – PRICE SETTING

Our prices are subject to the DPP Determination. PY27 is the first period in the fourth default price path (DPP4). DPP4 applies for the five-year regulatory period from 1 October 2026 to 30 September 2031. The DPP Determination sets our Maximum Allowable Revenue (MAR) and price-path requirements that apply to Vector. Our gas distribution business is regulated under a weighted-average price cap. To comply with the price path, notional revenue, calculated using lagged quantities, must not exceed the allowable notional revenue. The Commission considered forecast demand when setting DPP4. However, the PY27 price-path compliance calculation applies PY27 prices to PY25 lagged quantities rather than forecast PY27 demand.

The allowable revenue for PY27 reflects the Commission’s DPP4 reset and the applicable pass-through and recoverable costs. In subsequent years of DPP4, allowable notional revenue is adjusted in accordance with the DPP Determination. These adjustments include forecast inflation, pass-through and recoverable costs, and other adjustments provided for under DPP4. Pass-through and recoverable costs are largely outside our control and include costs such as rates and statutory levies⁶.

Most consumers have simple meters that record total consumption over monthly or two-monthly meter-reading cycles. These meters do not record time of use or maximum demand. As a result, our standard prices comprise a fixed daily price (\$/day) and a variable volumetric price (\$/kWh), shown in Table 2.

Table 2: Price components

Price Component		Code	Units	Description
Fixed	Daily	FIXD	\$/day	Applied to the number of days each consumer’s point of connection is connected to the gas distribution network
Variable	Volume	24UC	\$/kWh	Applied to all gas distributed to each consumer

The information available on consumer demand limits the price structures we can apply. The fixed daily price generally increases with the capacity of the consumer’s connection. Therefore, consumers requiring greater connection capacity generally pay a higher daily price.

⁶ ID 2.4.1 (2)

4 – PRICE CHANGES⁷

We consider the potential impact of price changes on consumers. When setting prices, we use the corresponding prices from the previous year as our starting point. We have retained the same consumer groups, price categories and price structures for PY27.

We are progressively moving towards recovering a greater proportion of revenue from fixed prices to better manage revenue-recovery risk. A largely fixed pricing approach better reflects our underlying cost structure and supports the recovery of our investment in gas assets as New Zealand moves towards its legislated 2050 emissions reduction targets. During this transition, gas distribution revenue is increasingly exposed to the risk of unforeseen reductions in demand.

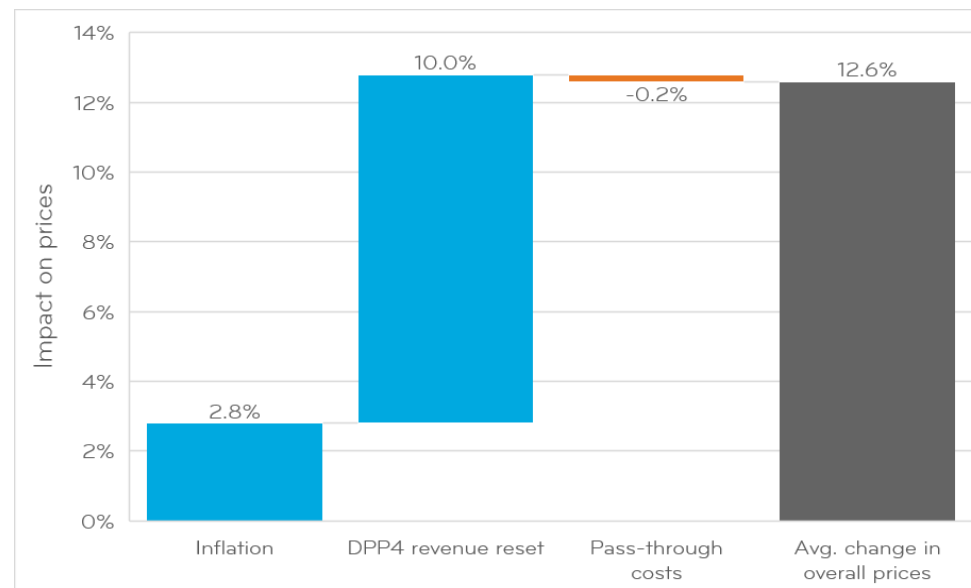
Under DPP4, the Commission retained a weighted-average price cap for gas distribution business rather than adopting a revenue cap, such as that applying to electricity distribution businesses. The Commission introduced a demand variation revenue adjustment mechanism to provide some protection against significant demand changes. However, the mechanism applies only when the relevant revenue variation exceeds a 15% threshold. We consider this threshold is too high to address the risk of sustained demand reductions, which may create a material cumulative revenue shortfall without triggering the mechanism. Vector therefore remains exposed to volume risk under DPP4.

We have progressively increased the proportion of revenue recovered through fixed prices over several years because fixed pricing better reflects our underlying costs, which are mainly fixed and helps manage revenue recovery risk from falling demand. We manage this transition over time to limit the potential for significant changes in consumers' distribution charges, assuming our prices are passed through by retailers.

For PY27, however, we applied the weighted-average price increase evenly across the fixed and variable components of each standard price category and therefore did not accelerate the transition towards greater fixed-price recovery. We did this as continuing with the transition would have resulted in materially different percentage price increases between standard consumers.

From 1 October 2026, Vector's gas distribution prices will increase by a weighted average change of 12.6%. Our standard prices will increase by a weighted average of 12.7%. Figure 1 shows the breakdown.⁸

Figure 1: Percentage contribution to the PY27 price change



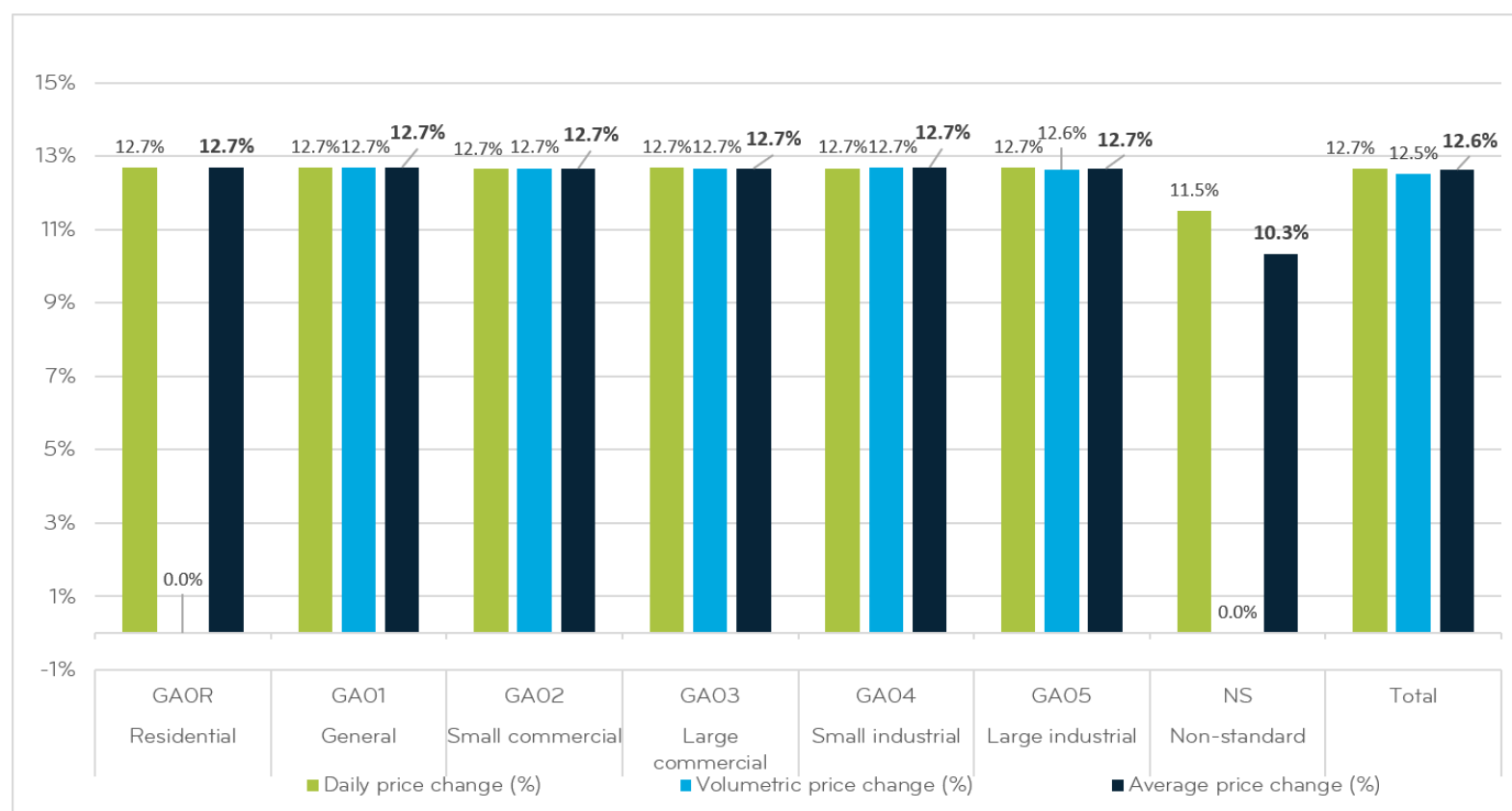
⁷ ID 2.4.3 (6)

⁸ ID 2.4.3 (6)

Figure 2 shows the weighted average price change for each consumer group. Our standard gas prices that apply from 1 October 2026, along with the previous prices, are set out in Table 4 on page 11.⁹

We do not directly seek consumers' views when setting prices because we generally charge gas retailers for our charges. We consult retailers on proposed prices and price structures before finalising them. The consultation process gives retailers an opportunity to comment on the proposed prices and price structures, and we consider feedback when finalising prices. We also offer to assist retailers in explaining our price changes to customers.

Figure 2: PY27 weighted average price change by standard price category



⁹ Our full price schedules are available at <https://vector.co.nz/our-services/gas/gas-pricing>.

5 – TARGET REVENUE & ITS CATEGORISATION¹⁰

We use our Cost-of-Service Model (COSM) to allocate target revenue among consumer groups using a range of cost drivers. Figure 3 outlines the model structure¹¹ of COSM.

Target revenue is the total revenue we expect to recover from our prices (complying with the regulated price path) and our forecasted quantities. The target revenue for PY27 is \$72.3m (\$66.5m for PY26).

We break the total target revenue down into the key components required to recover the costs of providing gas distribution services and to earn return on investment, as shown in Figure 4. We categorise these key components by cost drivers i.e. either 'asset' or 'non-asset' (Figure 5). These categorisations determine the way that the target revenue is allocated to consumer groups.

The key components categorised as 'asset costs' are those associated with expenditure and return on the gas distribution network assets.

'Non-asset costs' can be broadly summarised as overhead costs and pass-through and recoverable costs.

Figure 5: Target revenue by cost driver

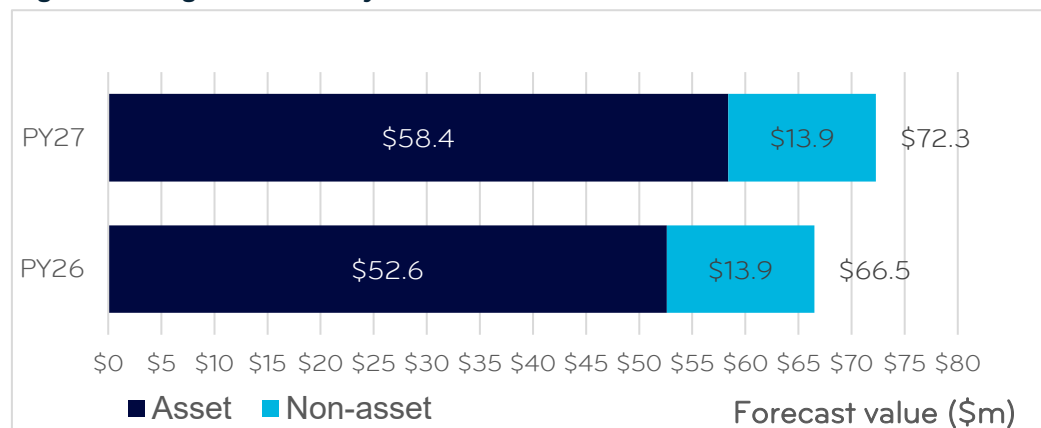


Figure 3: COSM structure

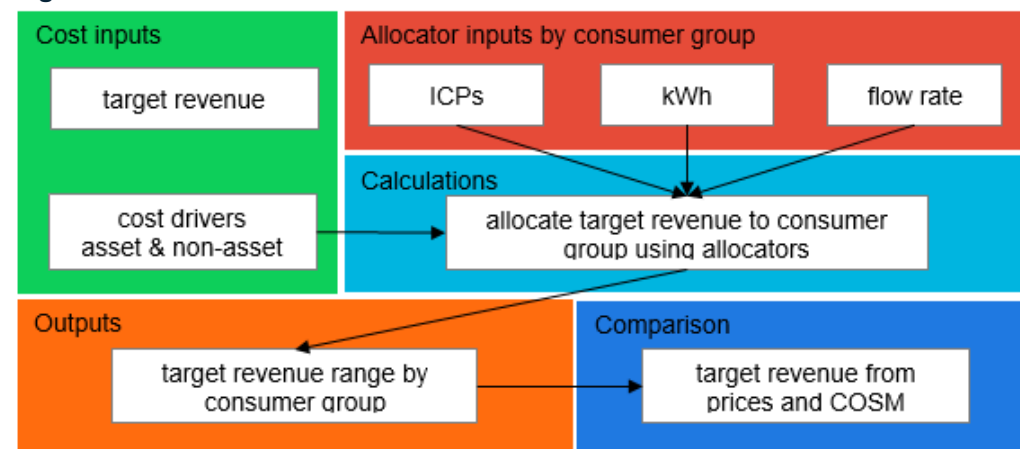
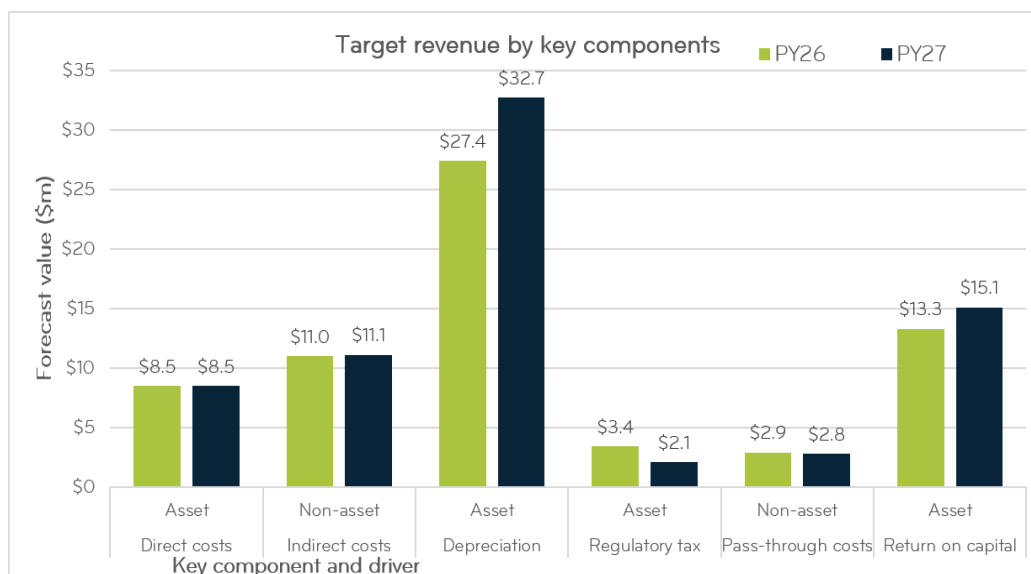


Figure 4 Target revenue by key components



¹⁰ ID 2.4.3 (4)

¹¹ ICP, an allocator used in the COSM model, is an installation control point being a physical point of connection on a local network which a distributor nominates as the point at which a retailer will be deemed to supply gas to a consumer

6 – TARGET REVENUE ALLOCATION¹²

A key feature of a gas distribution network is its assets are interconnected and shared by many consumers. It is therefore difficult to identify precisely which consumers benefit from which assets. While this means that the allocation of target revenue between consumers or groups of consumers can be made in many ways, it also means that the cost of providing the network is shared widely and therefore the cost of network services is generally low for each consumer.

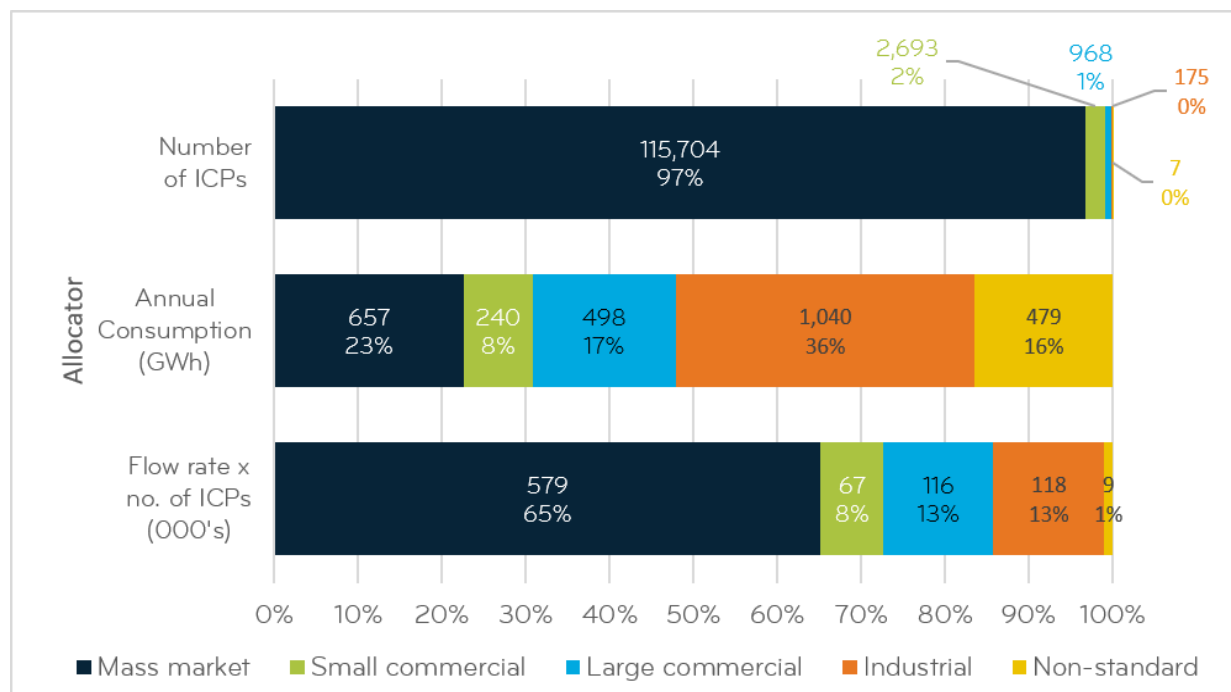
Table 3: Allocators used in the COSM

Cost driver	Allocator
Asset	Flow rate x number of ICPs (scm/h x ICP)
Non-asset	Number of ICPs or annual consumption (GWh)

We allocate asset costs based on the proportion of flow rate x number of ICPs (scm/h x ICPs) for each consumer group as shown in Table 3. This allocation is based on the weighted average flow rate per ICP that are in each consumer group, effectively capturing each consumer group's utilisation of network assets. The scm/h x ICPs is an appropriate allocator for assets and direct

network costs as the required pressure of a consumer will affect capacity of the network assets. 'Non-asset costs' have no direct allocator, so a band of cost allocations is determined using annual consumption and the number of ICPs as the allocators.

Figure 6: PY27 COSM allocation values and percentages



The pricing for non-standard consumers is calculated separately from the other consumer groups. The COSM is set or calibrated to produce the forecasted target revenue of \$1.1m (1.6%) to be recovered from the six non-standard consumers (6 ICPs).

Figure 6 demonstrates the COSM allocations - value and percentages. We calculate the allocation percentages using a weighted average of quantities over a five-year period. For PY27, we used historical quantities from Schedule 8 of our gas information disclosures and Vector's forecast quantities. This combination reflects both historical usage and expected future demand.

To determine the flow rate, for mass market and commercial consumer groups, the midpoint of the maximum flow rates from Table 1 is used. For industrial and non-standard consumer groups, the average maximum hourly quantity specified in current and previous Network Charge Agreements is used.

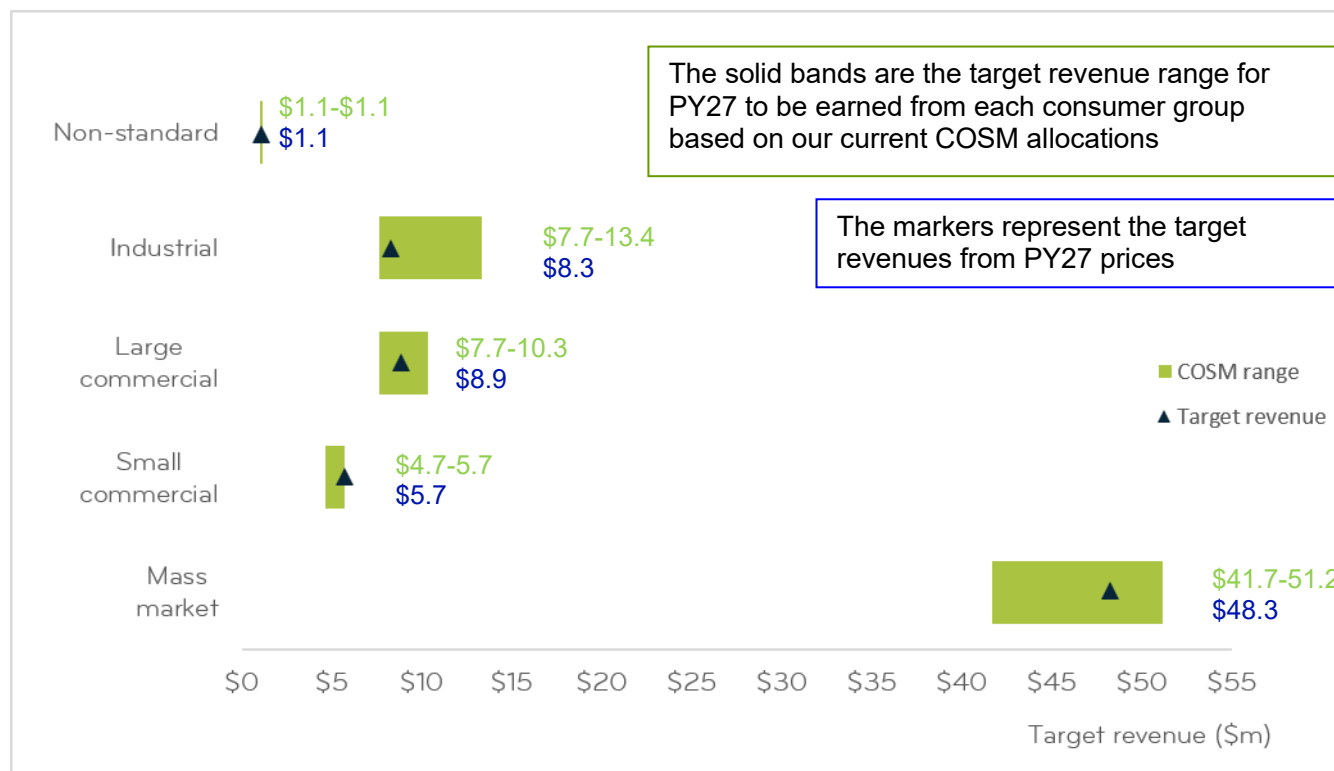
¹² ID 2.4.3 (1)

7 – PRICE COMPARISON¹³

The result of using the different allocators creates a target revenue range by consumer group as the use of different allocators gives rise to different target revenue allocation results. The bands represent the lower and upper bounds of the different allocation approaches. Figure 7 shows the target revenue calculated from PY27 prices by consumer group compared with the COSM allocations. The result is that PY27 prices produce forecast revenues that are in or near an acceptable range when compared to target revenue allocations.

Price setting is an iterative process, where the prices are only finalised once the price path compliance is managed, bill impacts are considered and prices deliver revenue from each consumer group consistent with their target revenue allocation.

Figure 7: PY27 target revenue from prices compared with COSM allocations



¹³ ID 2.4.3 (7)

8 – PRICE & REVENUE STRUCTURE

Table 4 below shows our standard gas prices that apply from 1 October 2026, including the previous year's prices that were effective from 1 October 2025. The table also shows each price category target revenue by price component. Residential, large industrial and non-standard are expected to have much of their revenue generated from the fixed daily component.¹⁴

Table 4: Standard line charge prices (previous price, if changing)¹⁵

Consumer group	Price category description	Price category code	Max. flow rate (scm/h)	Number of ICPs (June 2026)	Fixed daily (-FIXD) \$/day	Variable volume (-24UC) \$/kWh	PY27 target revenue (\$m)	PY27 target revenue by price component ■ Fixed daily ■ Variable volumetric	PY27 % of target revenue ¹⁶	PY27 % of total volume
Mass market	Residential	GA0R	< 10	113,977	1.1176 (0.9919)	-	46.2	100%	63.9	21.2
	General	GA01	< 10	2,097	1.9429 (1.7244)	0.009325 (0.008276)	2.1	71% 29%	2.9	2.4
Small commercial	Small commercial	GA02	10 to 40	2,724	3.5862 (3.1829)	0.009695 (0.008605)	5.7	60% 40%	7.9	8.8
Large commercial	Large commercial	GA03	40 to 200	1,006	16.4300 (14.5821)	0.007098 (0.006300)	8.9	63% 37%	12.3	17.3
Industrial	Small industrial	GA04	> 200	168	66.7010 (59.2000)	0.004232 (0.003756)	6.2	62% 38%	8.5	20.6
	Large industrial	GA05	> 200	13	401.9130 (356.7060)	0.001257 (0.001116)	2.1	79% 21%	2.9	13.2
Non-standard			Various	6			1.1	90% 10%	1.6	16.5
Total				119,991			72.3	87% 13%	100	100

¹⁴ ID 2.4.18 (3), (4)

¹⁵ ID 2.4.18 (2), (3)

¹⁶ ID 2.4.3 (8)

APPENDIX 1 – NON-STANDARD CONTRACTS

Table 5: Criteria for non-standard contracts¹⁷

Approach	Description
Criteria	For any new asset investment required by consumers, we apply our capital contributions policy. Our policy for determining capital contributions on our gas distribution network is available at https://vector.co.nz/investors/regulatory-centre/regulatory-disclosures?regulatoryDisclosureType=capital-contributions&regulatoryDisclosureSector=gas. When a new asset investment is recovered through capital contributions, standard pricing applies. Historical investments required by consumers and not recovered through capital contributions may be subject to non-standard contracts allowing for non-standard prices and tailored commercial arrangements to be applied to individual consumers. Non-standard contracts also allow consumers to negotiate differing levels of economic value from a service or enable Vector to mitigate against uneconomic bypass.
Methodology	We assess whether to apply non-standard pricing and the corresponding contractual arrangements to consumers on a case-by-case basis. For determining prices for consumers subject to non-standard contracts, we use actual costs and/or allocated costs derived from allocation models to determine prices. The allocation models are similar to the COSM or the Commerce Commission building block model. At the conclusion of a non-standard pricing contract, the consumer is required to negotiate in good faith at our request before seeking to access standard prices.
Obligations & responsibilities	Our obligations and responsibilities to consumers on non-standard contracts are the same as our obligations to consumers on standard contracts in the event that the supply of gas distribution services to the consumer is interrupted. Our obligations and responsibilities do not impact how we determine prices for those consumers on non-standard contracts.

¹⁷ ID 2.4.5

APPENDIX 2 – CONSISTENCY WITH PRICING PRINCIPLES¹⁸

Table 6: Pricing principles¹⁹

Principle #1: Economic costs of service provision

Prices are to signal the economic costs of service provision, by -

- a) being subsidy free, that is, equal to or greater than incremental costs and less than or equal to standalone costs, except where subsidies arise from compliance with legislation and/or other regulation;*

The incremental cost test can be applied both for individual consumers and for groups of consumers. The incremental cost for an individual consumer is the cost of that consumer's individual connection to the network, and therefore excludes the shared costs. The incremental cost for a group of consumers is the cost of all the connections of that group of consumers and includes shared costs for that group. Applying the incremental cost test at a group level is more stringent because it includes shared costs for the group. Revenues for the group must be higher than just the sum of the incremental cost for each individual consumer. Our capital contributions policy ensures that individual consumers generally pay the costs of connecting them to the network plus a contribution to the capital expenditure necessary to ensure shared assets grow as the network grows.

While we monitor the cost of alternative options for consumers, it can be difficult to apply these on a consumer-specific basis. In some instances, the economic value of the service, including where that is set by the cost of an alternative form of supply, may be notified to us. In these situations, this pricing principle is delivered through the operation of pricing principle #3, detailed below.

- b) having regard, to the extent practicable, to the level of available service capacity; and*
- c) signalling, to the extent practicable, the effect of additional usage on future investment costs*

There are no constraints on available service capacity in the gas distribution network that impacts on the economic cost of service provision. Indeed, given the level of available service capacity there is no need to presently signal through prices the impact additional usage has on future investment.

¹⁸ 2.4.3 (2)

¹⁹ The pricing principles are specified in clause 2.5.2 of the Gas Distribution Services Input Methodologies Determination 2012 (consolidated April 2024)

Principle #2: Recovery of any shortfall

Where prices based on 'efficient' incremental costs would under-recover allowed revenues, the shortfall is made up by prices being set in a manner that has regard to consumers' demand responsiveness, to the extent practicable.-

As mentioned above there are no constraints on available service capacity in the gas distribution network that impacts on the economic cost of service provision. Therefore, all prices effectively recover under-recovered revenue i.e. sunk / residual costs. It is generally not practicable to set prices to recover those costs in a manner that has regard to a consumers' demand responsiveness. This would require segmenting consumers into groups based on price elasticity of demand, a near impossible task except perhaps on a case-by-case basis for large consumers where the transaction costs of developing non-standard arrangements are small in relation to the value of the network service. The prices set to recover the sunk/residual costs are broadly based on the benefit the consumer receives from the network and the size of the customer.

Principle #3: Responsive to requirements of consumers

Provided that prices satisfy (1), prices are responsive to the requirements and circumstances of consumers in order to -

a) discourage uneconomic bypass;

Discouraging uneconomic bypass is an important commercial objective for Vector. Gas distribution services must compete with alternative fuel and energy sources such as electricity, LPG and solar heating.

We consider alternative fuels that may be economically viable for each consumer group. Gas distribution prices are tested to ensure that, in general, they are both greater than the incremental cost and not so high as to provide the incentive for a consumer to switch to an alternative fuel unless it is economic to do so. That said distribution prices are typically only a small portion of a customer's bill compared to other components of their overall gas bill. Recent gas supply shortages have driven up the wholesale price of gas therefore increasing the overall bill for consumers. These increases are likely to make alternative fuels a more viable option for consumers.

Principle #3: Responsive to requirements of consumers (continued)

Provided that prices satisfy #1, prices are responsive to the requirements and circumstances of consumers in order to -

- b) allow negotiation to better reflect the economic value of services and enable consumers to make price/quality trade-offs or non-standard arrangements for services.*

We believe that the best way to allow consumers to negotiate differing levels of economic value from a service or to mitigate against uneconomic bypass is through non-standard contracts. Large consumers can negotiate with us for different terms and conditions if it is commercially viable and possible for us to provide the service and is not to the detriment of other consumers.

Contracts have been negotiated on non-standard pricing structures to allow consumers to manage their risk, including adjustment in prices to allow for atypical demand loads (e.g. seasonal use patterns) or a preference for pricing that is largely, if not wholly, fixed. We are also willing to offer different terms for contracts of varying duration.

Principle #4: Pricing process

Development of prices is transparent, promotes price stability and certainty for consumers, and changes to prices have regard to the effect on consumers.

This pricing methodology transparently sets out how we develop and determine prices for our provision of gas distribution services.

As we have mentioned above other than in a few instances, we do not directly bill end-consumers but bill our prices to gas retailers. Retailers may bundle our prices with other distributor prices or other services. Therefore, we are limited in our ability to ensure price stability and price certainty for end-consumers as well as being able to determine how the changes in our prices affect end-consumers.

As we have set out in this methodology, we do consider existing pricing structures and possible bill impacts when setting our prices. We believe that our simple pricing structure helps with transparency. Costs are clearly identified and allocated to consumer groups on a simple and transparent basis. The simple pricing structure reduces the likelihood that changes in consumer behaviour will result in significant changes to cost allocations between consumer groups. This means that prices by consumer group, based on the maximum flow rate of connection, will be more stable over time. A simple pricing structure also makes it easier for consumers to understand and estimate their likely costs, if retailers pass our prices through to consumers. We are particularly conscious of the effect of our pricing on consumers. We model end user bill impacts using historical consumption to gauge impacts when changing prices, if gas retailers pass our prices through to end users. However, given there is no mandated requirement for retailers to pass on our prices to end-users whether these considerations result in Principle 4 being met is difficult for Vector to determine.

In July 2026, we consulted with gas retailers on our proposed price changes. Our formal retailer consultation did not highlight any major concerns with our proposed price changes. Our proposal did not incorporate any structural changes.

APPENDIX 3 – DIRECTORS' CERTIFICATION

Schedule 18: Certification for Disclosures at the Beginning of a Pricing Year

Clause 2.9.2

We, Doug McKay and Anne Urlwin, being directors of Vector Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) the following attached information of Vector Limited prepared for the purposes of clause 2.4.1 of the Gas Distribution Information Disclosure Determination 2012 in all material respects complies with that determination.
- (b) the prospective financial or non-financial information included in the attached information has been forecast on a basis consistent with regulatory requirements or recognised industry standards.

A handwritten signature in blue ink, appearing to read 'Doug McKay'.

Director

A handwritten signature in blue ink, appearing to read 'Anne Urlwin'.

Director

17 August 2026

Date