

Electricity Ashburton Limited

Information Disclosures

for year ending 31 March 2019

Electricity distribution information disclosure determination 2012





**EDB Information Disclosure Requirements
Information Templates
for
Schedules 1–10**

| | |
|------------------------------|----------------|
| Company Name | EA Networks |
| Disclosure Date | 28 August 2019 |
| Disclosure Year (year ended) | 31 March 2019 |

Templates for Schedules 1–10 excluding 5f–5g
Template Version 4.1. Prepared 21 December 2017



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Disclosure Template Instructions

These templates have been prepared for use by EDBs when making disclosures under clauses 2.3.1, 2.4.21, 2.4.22, 2.5.1, and 2.5.2 of the Electricity Distribution Information Disclosure Determination 2012.

Company Name and Dates

To prepare the templates for disclosure, the supplier's company name should be entered in cell C8, the date of the last day of the current (disclosure) year should be entered in cell C12, and the date on which the information is disclosed should be entered in cell C10 of the CoverSheet worksheet.

The cell C12 entry (current year) is used to calculate disclosure years in the column headings that show above some of the tables and in labels adjacent to some entry cells. It is also used to calculate the 'For year ended' date in the template title blocks (the title blocks are the light green shaded areas at the top of each template).

The cell C8 entry (company name) is used in the template title blocks.

Dates should be entered in day/month/year order (Example -"1 April 2013").

Data Entry Cells and Calculated Cells

Data entered into this workbook may be entered only into the data entry cells. Data entry cells are the bordered, unshaded areas (white cells) in each template. Under no circumstances should data be entered into the workbook outside a data entry cell.

In some cases, where the information for disclosure is able to be ascertained from disclosures elsewhere in the workbook, such information is disclosed in a calculated cell.

Validation Settings on Data Entry Cells

To maintain a consistency of format and to help guard against errors in data entry, some data entry cells test keyboard entries for validity and accept only a limited range of values. For example, entries may be limited to a list of category names, to values between 0% and 100%, or either a numeric entry or the text entry "N/A". Where this occurs, a validation message will appear when data is being entered. These checks are applied to keyboard entries only and not, for example, to entries made using Excel's copy and paste facility.

Conditional Formatting Settings on Data Entry Cells

Schedule 2 cells G79 and I79:L79 will change colour if the total cashflows do not equal the corresponding values in table 2(ii).

Schedule 4 cells P99:P105 and P107 will change colour if the RAB values do not equal the corresponding values in table 4(ii).

Schedule 9b columns AA to AE (2013 to 2017) contain conditional formatting. The data entry cells for future years are hidden (are changed from white to yellow).

Schedule 9b cells AG10 to AG60 will change colour if the total assets at year end for each asset class does not equal the corresponding values in column I in Schedule 9a.

Schedule 9c cell G30 will change colour if G30 (overhead circuit length by terrain) does not equal G18 (overhead circuit length by operating voltage).

Inserting Additional Rows and Columns

The templates for schedules 4, 5b, 5c, 5d, 5e, 6a, 8, 9d, and 9e may require additional rows to be inserted in tables marked 'include additional rows if needed' or similar. Column A schedule references should not be entered in additional rows, and should be deleted from additional rows that are created by copying and pasting rows that have schedule references.

Additional rows in schedules 5c, 6a, and 9e must not be inserted directly above the first row or below the last row of a table. This is to ensure that entries made in the new row are included in the totals.

Schedules 5d and 5e may require new cost or asset category rows to be inserted in allocation change tables 5d(iii) and 5e(ii). Accordingly, cell protection has been removed from rows 77 and 78 of the respective templates to allow blocks of rows to be copied. The four steps to add new cost category rows to table 5d(iii) are: Select Excel rows 69:77, copy, select Excel row 78, insert copied cells. Similarly, for table 5e(ii): Select Excel rows 70:78, copy, select Excel row 79, then insert copied cells.

The template for schedule 8 may require additional columns to be inserted between column P and U. To avoid interfering with the title block entries, these should be inserted to the left of column S. If inserting additional columns, the formulas for standard consumers total, non-standard consumers totals and total for all consumers will need to be copied into the cells of the added columns. The formulas can be found in the equivalent cells of the existing columns.

Disclosures by Sub-Network

If the supplier has sub-networks, schedules 8, 9a, 9b, 9c, 9e, and 10 must be completed for the network and for each sub-network. A copy of the schedule worksheet(s) must be made for each sub-network and named accordingly.

Schedule References

The references labelled 'sch ref' in the leftmost column of each template are consistent with the row references in the Electricity Distribution ID Determination 2012 (as issued on 21 December 2017). They provide a common reference between the rows in the determination and the template.

Description of Calculation References

Calculation cell formulas contain links to other cells within the same template or elsewhere in the workbook. Key cell references are described in a column to the right of each template. These descriptions are provided to assist data entry. Cell references refer to the row of the template and not the schedule reference.

Worksheet Completion Sequence

Calculation cells may show an incorrect value until precedent cell entries have been completed. Data entry may be assisted by completing the schedules in the following order:

1. Coversheet
2. Schedules 5a–5e
3. Schedules 6a–6b
4. Schedule 8
5. Schedule 3
6. Schedule 4
7. Schedule 2
8. Schedule 7
9. Schedules 9a–9e
10. Schedule 10

Company Name **EA Networks**
For Year Ended **31 March 2019**

SCHEDULE 1: ANALYTICAL RATIOS

This schedule calculates expenditure, revenue and service ratios from the information disclosed. The disclosed ratios may vary for reasons that are company specific and, as a result, must be interpreted with care. The Commerce Commission will publish a summary and analysis of information disclosed in accordance with the ID determination. This will include information disclosed in accordance with this and other schedules, and information disclosed under the other requirements of the determination.

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

1(i): Expenditure metrics

| | Expenditure per GWh energy delivered to ICPs (\$/GWh) | Expenditure per average no. of ICPs (\$/ICP) | Expenditure per MW maximum coincident system demand (\$/MW) | Expenditure per km circuit length (\$/km) | Expenditure per MVA of capacity from EDB-owned distribution transformers (\$/MVA) |
|--------------------------------|---|--|---|---|---|
| Operational expenditure | 23,728 | 613 | 75,406 | 3,864 | 20,478 |
| Network | 7,509 | 194 | 23,863 | 1,223 | 6,480 |
| Non-network | 16,219 | 419 | 51,543 | 2,641 | 13,997 |
| Expenditure on assets | 38,951 | 1,006 | 123,787 | 6,343 | 33,616 |
| Network | 37,049 | 957 | 117,741 | 6,033 | 31,974 |
| Non-network | 1,902 | 49 | 6,046 | 310 | 1,642 |

1(ii): Revenue metrics

| | Revenue per GWh energy delivered to ICPs (\$/GWh) | Revenue per average no. of ICPs (\$/ICP) |
|---|---|--|
| Total consumer line charge revenue | 87,216 | 2,252 |
| Standard consumer line charge revenue | 87,216 | 2,252 |
| Non-standard consumer line charge revenue | – | – |

1(iii): Service intensity measures

| | | |
|--------------------------|--------|--|
| Demand density | 51 | Maximum coincident system demand per km of circuit length (for supply) (kW/km) |
| Volume density | 163 | Total energy delivered to ICPs per km of circuit length (for supply) (MWh/km) |
| Connection point density | 6 | Average number of ICPs per km of circuit length (for supply) (ICPs/km) |
| Energy intensity | 25,826 | Total energy delivered to ICPs per average number of ICPs (kWh/ICP) |

1(iv): Composition of regulatory income

| | (\$000) | % of revenue |
|--|---------------|--------------|
| Operational expenditure | 11,913 | 27.39% |
| Pass-through and recoverable costs excluding financial incentives and wash-ups | 8,061 | 18.53% |
| Total depreciation | 9,530 | 21.91% |
| Total revaluations | 3,831 | 8.81% |
| Regulatory tax allowance | 2,881 | 6.62% |
| Regulatory profit/(loss) including financial incentives and wash-ups | 14,946 | 34.36% |
| Total regulatory income | 43,499 | |

1(v): Reliability

| | | |
|-------------------|-------|----------------------------------|
| Interruption rate | 15.76 | Interruptions per 100 circuit km |
|-------------------|-------|----------------------------------|

| | |
|----------------|---------------|
| Company Name | EA Networks |
| For Year Ended | 31 March 2019 |

SCHEDULE 2: REPORT ON RETURN ON INVESTMENT

This schedule requires information on the Return on Investment (ROI) for the EDB relative to the Commerce Commission's estimates of post tax WACC and vanilla WACC. EDBs must calculate their ROI based on a monthly basis if required by clause 2.3.3 of the ID Determination or if they elect to. If an EDB makes this election, information supporting this calculation must be provided in 2(iii).

EDBs must provide explanatory comment on their ROI in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

| | CY-2 31 Mar 17 % | CY-1 31 Mar 18 % | Current Year CY 31 Mar 19 % |
|---|------------------------|------------------------|-----------------------------------|
| 2(i): Return on Investment | | | |
| ROI – comparable to a post tax WACC | | | |
| Reflecting all revenue earned | 5.86% | 5.58% | 5.53% |
| Excluding revenue earned from financial incentives | 5.86% | 5.51% | 5.49% |
| Excluding revenue earned from financial incentives and wash-ups | 5.91% | 5.56% | 5.53% |
| Mid-point estimate of post tax WACC | 4.77% | 5.04% | 4.75% |
| 25th percentile estimate | 4.05% | 4.36% | 4.07% |
| 75th percentile estimate | 5.48% | 5.72% | 5.43% |
| ROI – comparable to a vanilla WACC | | | |
| Reflecting all revenue earned | 6.41% | 6.17% | 6.04% |
| Excluding revenue earned from financial incentives | 6.41% | 6.11% | 6.00% |
| Excluding revenue earned from financial incentives and wash-ups | 6.45% | 6.15% | 6.04% |
| WACC rate used to set regulatory price path | 7.19% | 7.19% | 7.19% |
| Mid-point estimate of vanilla WACC | 5.31% | 5.60% | 5.26% |
| 25th percentile estimate | 4.59% | 4.92% | 4.58% |
| 75th percentile estimate | 6.03% | 6.29% | 5.94% |
| 2(ii): Information Supporting the ROI | | | |
| | | | (\$000) |
| Total opening RAB value | 259,359 | | |
| plus Opening deferred tax | (12,615) | | |
| Opening RIV | | 246,744 | |
| Line charge revenue | | 43,789 | |
| Expenses cash outflow | 19,974 | | |
| add Assets commissioned | 16,376 | | |
| less Asset disposals | 773 | | |
| add Tax payments | 1,353 | | |
| less Other regulated income | (290) | | |
| Mid-year net cash outflows | | 37,219 | |
| Term credit spread differential allowance | | - | |
| Total closing RAB value | 268,447 | | |
| less Adjustment resulting from asset allocation | (816) | | |
| less Lost and found assets adjustment | - | | |
| plus Closing deferred tax | (14,143) | | |
| Closing RIV | | 255,120 | |
| ROI – comparable to a vanilla WACC | | | 6.04% |
| Leverage (%) | | | 42% |
| Cost of debt assumption (%) | | | 4.33% |
| Corporate tax rate (%) | | | 28% |
| ROI – comparable to a post tax WACC | | | 5.53% |



Company Name **EA Networks**
 For Year Ended **31 March 2019**

SCHEDULE 2: REPORT ON RETURN ON INVESTMENT

This schedule requires information on the Return on Investment (ROI) for the EDB relative to the Commerce Commission's estimates of post tax WACC and vanilla WACC. EDBs must calculate their ROI based on a monthly basis if required by clause 2.3.3 of the ID Determination or if they elect to. If an EDB makes this election, information supporting this calculation must be provided in 2(iii).

EDBs must provide explanatory comment on their ROI in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

2(iii): Information Supporting the Monthly ROI

Opening RIV N/A

| | Line charge revenue | Expenses cash outflow | Assets commissioned | Asset disposals | Other regulated income | Monthly net cash outflows |
|--------------|---------------------|-----------------------|---------------------|-----------------|------------------------|---------------------------|
| April | | | | | | - |
| May | | | | | | - |
| June | | | | | | - |
| July | | | | | | - |
| August | | | | | | - |
| September | | | | | | - |
| October | | | | | | - |
| November | | | | | | - |
| December | | | | | | - |
| January | | | | | | - |
| February | | | | | | - |
| March | | | | | | - |
| Total | - | - | - | - | - | - |

Tax payments N/A

Term credit spread differential allowance N/A

Closing RIV N/A

Monthly ROI – comparable to a vanilla WACC N/A

Monthly ROI – comparable to a post tax WACC N/A

2(iv): Year-End ROI Rates for Comparison Purposes

Year-end ROI – comparable to a vanilla WACC 5.87%

Year-end ROI – comparable to a post tax WACC 5.36%

** these year-end ROI values are comparable to the ROI reported in pre 2012 disclosures by EDBs and do not represent the Commission's current view on ROI.*

2(v): Financial Incentives and Wash-Ups

| | |
|--|------------|
| Net recoverable costs allowed under incremental rolling incentive scheme | - |
| Purchased assets – avoided transmission charge | |
| Energy efficiency and demand incentive allowance | |
| Quality incentive adjustment | 130 |
| Other financial incentives | |
| Financial incentives | 130 |

Impact of financial incentives on ROI 0.04%

| | |
|---------------------------------------|--------------|
| Input methodology claw-back | |
| CPP application recoverable costs | |
| Catastrophic event allowance | |
| Capex wash-up adjustment | (155) |
| Transmission asset wash-up adjustment | |
| 2013–15 NPV wash-up allowance | |
| Reconsideration event allowance | |
| Other wash-ups | |
| Wash-up costs | (155) |

Impact of wash-up costs on ROI -0.05%



Company Name **EA Networks**
 For Year Ended **31 March 2019**

SCHEDULE 3: REPORT ON REGULATORY PROFIT

This schedule requires information on the calculation of regulatory profit for the EDB for the disclosure year. All EDBs must complete all sections and provide explanatory comment on their regulatory profit in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

| 3(i): Regulatory Profit | | (\$000) |
|-------------------------|--|----------------|
| 7 | Income | |
| 8 | Line charge revenue | 43,789 |
| 9 | plus Gains / (losses) on asset disposals | (714) |
| 10 | plus Other regulated income (other than gains / (losses) on asset disposals) | 424 |
| 11 | | |
| 12 | Total regulatory income | 43,499 |
| 13 | Expenses | |
| 14 | less Operational expenditure | 11,913 |
| 15 | | |
| 16 | less Pass-through and recoverable costs excluding financial incentives and wash-ups | 8,061 |
| 17 | | |
| 18 | Operating surplus / (deficit) | 23,525 |
| 19 | | |
| 20 | less Total depreciation | 9,530 |
| 21 | | |
| 22 | plus Total revaluations | 3,831 |
| 23 | | |
| 24 | Regulatory profit / (loss) before tax | 17,827 |
| 25 | | |
| 26 | less Term credit spread differential allowance | – |
| 27 | | |
| 28 | less Regulatory tax allowance | 2,881 |
| 29 | | |
| 30 | Regulatory profit/(loss) including financial incentives and wash-ups | 14,946 |
| 31 | | |
| 32 | | |
| 33 | 3(ii): Pass-through and Recoverable Costs excluding Financial Incentives and Wash-Ups | (\$000) |
| 34 | Pass through costs | |
| 35 | Rates | 182 |
| 36 | Commerce Act levies | 131 |
| 37 | Industry levies | 99 |
| 38 | CPP specified pass through costs | |
| 39 | Recoverable costs excluding financial incentives and wash-ups | |
| 40 | Electricity lines service charge payable to Transpower | 5,223 |
| 41 | Transpower new investment contract charges | 1,239 |
| 42 | System operator services | – |
| 43 | Distributed generation allowance | 1,187 |
| 44 | Extended reserves allowance | – |
| 45 | Other recoverable costs excluding financial incentives and wash-ups | – |
| 46 | Pass-through and recoverable costs excluding financial incentives and wash-ups | 8,061 |
| 47 | | |

Company Name **EA Networks**
 For Year Ended **31 March 2019**

SCHEDULE 3: REPORT ON REGULATORY PROFIT

This schedule requires information on the calculation of regulatory profit for the EDB for the disclosure year. All EDBs must complete all sections and provide explanatory comment on their regulatory profit in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

3(iii): Incremental Rolling Incentive Scheme

(\$000)

| CY-1 | CY |
|-----------|-----------|
| 31 Mar 18 | 31 Mar 19 |

| | | |
|---------------------------|--|--|
| Allowed controllable opex | | |
| Actual controllable opex | | |

| | |
|----------------------------|--|
| Incremental change in year | |
|----------------------------|--|

| Previous years' incremental change | Previous years' incremental change adjusted for inflation |
|------------------------------------|---|
|------------------------------------|---|

| | | | |
|------|-----------|--|--|
| CY-5 | 31 Mar 14 | | |
| CY-4 | 31 Mar 15 | | |
| CY-3 | 31 Mar 16 | | |
| CY-2 | 31 Mar 17 | | |
| CY-1 | 31 Mar 18 | | |

| | | |
|---|--|---|
| Net incremental rolling incentive scheme | | - |
|---|--|---|

| | | |
|---|--|---|
| Net recoverable costs allowed under incremental rolling incentive scheme | | - |
|---|--|---|

3(iv): Merger and Acquisition Expenditure

| | | |
|------------------------------------|--|---------|
| Merger and acquisition expenditure | | (\$000) |
|------------------------------------|--|---------|

Provide commentary on the benefits of merger and acquisition expenditure to the electricity distribution business, including required disclosures in accordance with section 2.7, in Schedule 14 (Mandatory Explanatory Notes)

3(v): Other Disclosures

| | | |
|--------------------------|--|---------|
| Self-insurance allowance | | (\$000) |
|--------------------------|--|---------|



Company Name **EA Networks**
For Year Ended **31 March 2019**

SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. EDBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

| | RAB 31 Mar 15 (\$'000) | RAB 31 Mar 16 (\$'000) | RAB 31 Mar 17 (\$'000) | RAB 31 Mar 18 (\$'000) | RAB 31 Mar 19 (\$'000) |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| for year ended | | | | | |
| 4(i): Regulatory Asset Base Value (Rolled Forward) | | | | | |
| Total opening RAB value | 220,521 | 226,349 | 237,258 | 251,141 | 259,359 |
| less Total depreciation | 7,375 | 7,616 | 8,152 | 9,240 | 9,530 |
| plus Total revaluations | 184 | 1,324 | 5,072 | 2,756 | 3,831 |
| plus Assets commissioned | 13,834 | 17,848 | 19,679 | 14,921 | 16,376 |
| less Asset disposals | 815 | 647 | 2,717 | 218 | 773 |
| plus Lost and found assets adjustment | — | — | — | — | — |
| plus Adjustment resulting from asset allocation | — | (0) | (0) | (0) | (816) |
| Total closing RAB value | 226,349 | 237,258 | 251,141 | 259,359 | 268,447 |

| | | | | | |
|---|--|--|--|--|--|
| 4(ii): Unallocated Regulatory Asset Base | | | | | |
| Total opening RAB value | | | | | |
| less Total depreciation | | | | | |
| plus Total revaluations | | | | | |
| plus Assets commissioned (other than below) | | | | | |
| Assets acquired from a regulated supplier | | | | | |
| Assets acquired from a related party | | | | | |
| less Assets commissioned | | | | | |
| less Asset disposals (other than below) | | | | | |
| Asset disposals to a regulated supplier | | | | | |
| Asset disposals to a related party | | | | | |
| less Asset disposals | | | | | |
| plus Lost and found assets adjustment | | | | | |
| plus Adjustment resulting from asset allocation | | | | | |
| Total closing RAB value | | | | | |

* The 'unallocated RAB' is the total value of those assets used wholly or partially to provide electricity distribution services without any allowance being made for the allocation of costs to services provided by the supplier that are not electricity distribution services. The RAB value represents the value of these assets after applying this cost allocation. Neither value includes works under construction.



Company Name
EA Networks
For Year Ended
31 March 2019

SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. EDBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

4(iii): Calculation of Revaluation Rate and Revaluation of Assets

| | | | | | |
|----|---------|--|--|--|-------|
| 51 | sch ref | | | | |
| 52 | | | | | |
| 53 | | | | | |
| 54 | | CPI _t | | | 1.026 |
| 55 | | CPI _{t-4} | | | 1.011 |
| 56 | | Revaluation rate (%) | | | 1.48% |
| 57 | | | | | |
| 58 | | | | | |
| 59 | | Total opening RAB value | | | |
| 60 | | Operating value of fully depreciated, disposed and lost assets | | | |
| 61 | | less | | | |
| 62 | | Total opening RAB value subject to revaluation | | | |
| 63 | | Total revaluations | | | |
| 64 | | | | | |
| 65 | | | | | |
| 66 | | | | | |

4(iv): Roll Forward of Works Under Construction

| | | | | | |
|----|--|--|--|--|--|
| 67 | | | | | |
| 68 | | Works under construction—preceding disclosure year | | | |
| 69 | | plus Capital expenditure | | | |
| 70 | | less Assets commissioned | | | |
| 71 | | plus Adjustment resulting from asset allocation | | | |
| 72 | | Works under construction - current disclosure year | | | |
| 73 | | Highest rate of capitalised finance applied | | | |
| 74 | | | | | |
| 75 | | | | | |



Company Name **EA Networks**
For Year Ended **31 March 2019**

SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. EDBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

| | | |
|----|--|--|
| 76 | sch ref | |
| 77 | | |
| 78 | | |
| 79 | | |
| 80 | Depreciation - standard | |
| 81 | Depreciation - no standard life assets | |
| 82 | Depreciation - modified life assets | |
| 83 | Depreciation - alternative depreciation in accordance with CPP | |
| 84 | Total depreciation | |

| | | |
|--|-------------------|--------------|
| | Unallocated RAB * | RAB |
| | (\$'000) | (\$'000) |
| | 8,183 | 8,183 |
| | 1,346 | 1,346 |
| | | |
| | | |
| | 9,530 | 9,530 |

4(v): Disclosure of Changes to Depreciation Profiles

| | | | | | | |
|----|---|--|--|--|--|--|
| 85 | | | | | | |
| 86 | Asset or assets with changes to depreciation* | | | | | |
| 87 | | | | | | |
| 88 | | | | | | |
| 89 | | | | | | |
| 90 | | | | | | |
| 91 | | | | | | |
| 92 | | | | | | |
| 93 | | | | | | |
| 94 | | | | | | |
| 95 | | | | | | |

4(vii): Disclosure by Asset Category

| | | | | | | | | | | | | | | | | | |
|-----|---|---------------|------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|----------------|--|--|--|--|--|--|
| 96 | | | | | | | | | | | | | | | | | |
| 97 | | | | | | | | | | | | | | | | | |
| 98 | | | | | | | | | | | | | | | | | |
| 99 | | | | | | | | | | | | | | | | | |
| 100 | Total opening RAB value | 12,933 | 847 | 23,431 | 48,050 | 66,678 | 57,735 | 34,526 | 413 | 14,747 | 259,359 | | | | | | |
| 101 | less Total depreciation | 456 | 29 | 951 | 1,795 | 1,592 | 1,837 | 1,472 | 24 | 1,373 | 9,530 | | | | | | |
| 102 | plus Total revaluations | 191 | 13 | 347 | 705 | 989 | 854 | 512 | 6 | 215 | 3,831 | | | | | | |
| 103 | plus Assets commissioned | 28 | | 848 | 2,185 | 5,976 | 3,171 | 1,701 | 1,114 | 1,352 | 16,376 | | | | | | |
| 104 | less Asset disposals | 72 | | | 490 | | 166 | | | 45 | 773 | | | | | | |
| 105 | plus Lost and found assets adjustment | | | | | | | | | | | | | | | | |
| 106 | plus Adjustment resulting from asset allocation | | | | | | | | | | | | | | | | |
| 107 | plus Asset category transfers | | | | | | | | | (816) | | | | | | | |
| 108 | Total closing RAB value | 12,623 | 831 | 23,675 | 48,655 | 72,051 | 59,757 | 35,267 | 1,508 | 14,081 | 268,447 | | | | | | |

| | | | | | | | | | | | | |
|-----|--|------|------|------|------|------|------|------|------|------|---------|--|
| 109 | Asset Life | | | | | | | | | | | |
| 110 | Weighted average remaining asset life | 33.0 | 33.6 | 32.4 | 29.2 | 44.2 | 36.5 | 26.9 | 11.1 | 19.1 | (years) | |
| 111 | Weighted average expected total asset life | 49.6 | 55.0 | 43.3 | 50.9 | 55.0 | 45.0 | 38.1 | 15.6 | 22.9 | (years) | |

* include additional rows if needed



Company Name **EA Networks**
 For Year Ended **31 March 2019**

SCHEDULE 5a: REPORT ON REGULATORY TAX ALLOWANCE

This schedule requires information on the calculation of the regulatory tax allowance. This information is used to calculate regulatory profit/loss in Schedule 3 (regulatory profit). EDBs must provide explanatory commentary on the information disclosed in this schedule, in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section

sch ref

| 5a(i): Regulatory Tax Allowance | | | (\$000) |
|--|--|-------|---------|
| 7 | Regulatory profit / (loss) before tax | | 17,827 |
| 8 | | | |
| 9 | | | |
| 10 | <i>plus</i> Income not included in regulatory profit / (loss) before tax but taxable | 188 | * |
| 11 | Expenditure or loss in regulatory profit / (loss) before tax but not deductible | 714 | * |
| 12 | Amortisation of initial differences in asset values | 2,143 | |
| 13 | Amortisation of revaluations | 798 | |
| 14 | | | 3,843 |
| 15 | | | |
| 16 | <i>less</i> Total revaluations | 3,831 | |
| 17 | Income included in regulatory profit / (loss) before tax but not taxable | 7 | * |
| 18 | Discretionary discounts and customer rebates | 2,883 | |
| 19 | Expenditure or loss deductible but not in regulatory profit / (loss) before tax | 265 | * |
| 20 | Notional deductible interest | 4,393 | |
| 21 | | | 11,380 |
| 22 | | | |
| 23 | Regulatory taxable income | | 10,289 |
| 24 | | | |
| 25 | <i>less</i> Utilised tax losses | | |
| 26 | Regulatory net taxable income | | 10,289 |
| 27 | | | |
| 28 | Corporate tax rate (%) | 28% | |
| 29 | Regulatory tax allowance | | 2,881 |
| 30 | | | |

* Workings to be provided in Schedule 14

5a(ii): Disclosure of Permanent Differences

In Schedule 14, Box 5, provide descriptions and workings of items recorded in the asterisked categories in Schedule 5a(i).

5a(iii): Amortisation of Initial Difference in Asset Values

(\$000)

| | | | |
|----|---|--------|--------|
| 34 | | | |
| 35 | | | |
| 36 | Opening unamortised initial differences in asset values | 59,993 | |
| 37 | <i>less</i> Amortisation of initial differences in asset values | 2,143 | |
| 38 | <i>plus</i> Adjustment for unamortised initial differences in assets acquired | | |
| 39 | <i>less</i> Adjustment for unamortised initial differences in assets disposed | 483 | |
| 40 | Closing unamortised initial differences in asset values | | 57,368 |
| 41 | | | |
| 42 | Opening weighted average remaining useful life of relevant assets (years) | | 28 |
| 43 | | | |



Company Name **EA Networks**
 For Year Ended **31 March 2019**

SCHEDULE 5a: REPORT ON REGULATORY TAX ALLOWANCE

This schedule requires information on the calculation of the regulatory tax allowance. This information is used to calculate regulatory profit/loss in Schedule 3 (regulatory profit). EDBs must provide explanatory commentary on the information disclosed in this schedule, in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section

sch ref

| | | | | |
|----|--|--|----------|----------|
| 44 | 5a(iv): Amortisation of Revaluations | | | (\$000) |
| 45 | | | | |
| 46 | Opening sum of RAB values without revaluations | | 240,111 | |
| 47 | | | | |
| 48 | Adjusted depreciation | | 8,731 | |
| 49 | Total depreciation | | 9,530 | |
| 50 | Amortisation of revaluations | | | 798 |
| 51 | | | | |
| 52 | 5a(v): Reconciliation of Tax Losses | | | (\$000) |
| 53 | | | | |
| 54 | Opening tax losses | | | |
| 55 | plus Current period tax losses | | | |
| 56 | less Utilised tax losses | | | |
| 57 | Closing tax losses | | | - |
| 58 | | | | |
| 59 | 5a(vi): Calculation of Deferred Tax Balance | | | (\$000) |
| 60 | | | | |
| 61 | Opening deferred tax | | (12,615) | |
| 62 | plus Tax effect of adjusted depreciation | | 2,445 | |
| 63 | | | | |
| 64 | less Tax effect of tax depreciation | | 3,335 | |
| 65 | | | | |
| 66 | plus Tax effect of other temporary differences* | | (7) | |
| 67 | | | | |
| 68 | less Tax effect of amortisation of initial differences in asset values | | 600 | |
| 69 | | | | |
| 70 | plus Deferred tax balance relating to assets acquired in the disclosure year | | | |
| 71 | | | | |
| 72 | less Deferred tax balance relating to assets disposed in the disclosure year | | 35 | |
| 73 | | | | |
| 74 | plus Deferred tax cost allocation adjustment | | 4 | |
| 75 | | | | |
| 76 | Closing deferred tax | | | (14,143) |
| 77 | | | | |
| 78 | 5a(vii): Disclosure of Temporary Differences | | | |
| 79 | <i>In Schedule 14, Box 6, provide descriptions and workings of items recorded in the asterisked category in Schedule 5a(vi) (Tax effect of other temporary differences).</i> | | | |
| 80 | | | | |
| 81 | 5a(viii): Regulatory Tax Asset Base Roll-Forward | | | |
| 82 | | | | (\$000) |
| 83 | Opening sum of regulatory tax asset values | | 134,592 | |
| 84 | less Tax depreciation | | 11,911 | |
| 85 | plus Regulatory tax asset value of assets commissioned | | 16,376 | |
| 86 | less Regulatory tax asset value of asset disposals | | 324 | |
| 87 | plus Lost and found assets adjustment | | | |
| 88 | plus Adjustment resulting from asset allocation | | (802) | |
| 89 | plus Other adjustments to the RAB tax value | | | |
| 90 | Closing sum of regulatory tax asset values | | | 137,930 |



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 For Year Ended **31 March 2019**

SCHEDULE 5b: REPORT ON RELATED PARTY TRANSACTIONS

This schedule provides information on the valuation of related party transactions, in accordance with clause 2.3.6 of the ID determination.
 This information is part of audited disclosure information (as defined in clause 1.4 of the ID determination), and so is subject to the assurance report required by clause 2.8.

sch ref

| | (\$000) | (\$000) |
|---|---------|---------------|
| 5b(i): Summary—Related Party Transactions | | |
| Total regulatory income | | — |
| Market value of asset disposals | | |
| Service interruptions and emergencies | 419 | |
| Vegetation management | 229 | |
| Routine and corrective maintenance and inspection | 694 | |
| Asset replacement and renewal (opex) | 850 | |
| Network opex | | 2,192 |
| Business support | 80 | |
| System operations and network support | 876 | |
| Operational expenditure | | 3,147 |
| Consumer connection | 1,524 | |
| System growth | 2,051 | |
| Asset replacement and renewal (capex) | 3,516 | |
| Asset relocations | — | |
| Quality of supply | 1,254 | |
| Legislative and regulatory | — | |
| Other reliability, safety and environment | 194 | |
| Expenditure on non-network assets | | 26 |
| Expenditure on assets | | 8,565 |
| Cost of financing | | |
| Value of capital contributions | | |
| Value of vested assets | | |
| Capital Expenditure | | 8,565 |
| Total expenditure | | 11,712 |
| Other related party transactions | | 182 |

| | Name of related party | Nature of opex or capex service provided | Total value of transactions (\$000) |
|--|--|---|-------------------------------------|
| | EA Field Services | Consumer connection | 1,510 |
| | EA Field Services | System growth | 2,030 |
| | EA Field Services | Asset replacement and renewal (capex) | 3,344 |
| | EA Field Services | Quality of supply | 1,253 |
| | EA Field Services | Other reliability, safety and environment | 193 |
| | EA Field Services | Expenditure on non-network assets | 26 |
| | EA Field Services | Business support | 75 |
| | EA Field Services | System operations and network support | 60 |
| | EA Field Services | Service interruptions and emergencies | 388 |
| | EA Field Services | Routine and corrective maintenance and inspection | 656 |
| | EA Field Services | Asset replacement and renewal (opex) | 837 |
| | EA Field Services | Vegetation management | 229 |
| | EA Fibre | System operations and network support | 803 |
| | Ashburton Contracting Limited | Business support | 4 |
| | Ashburton Contracting Limited | Asset replacement and renewal (capex) | 172 |
| | Ashburton Contracting Limited | Consumer connection | 14 |
| | Ashburton Contracting Limited | System growth | 3 |
| | Ashburton Contracting Limited | Other reliability, safety and environment | 1 |
| | Ashburton Contracting Limited | Quality of supply | 1 |
| | Ashburton Contracting Limited | Asset replacement and renewal (opex) | 12 |
| | Cullimore Engineering Limited | Routine and corrective maintenance and inspection | 38 |
| | Cullimore Engineering Limited | System growth | 18 |
| | Ashburton District Council | Business support | 1 |
| | Ashburton District Council | Service interruptions and emergencies | 31 |
| | Ashburton District Council | Asset replacement and renewal (opex) | 1 |
| | Ashburton District Council | System operations and network support | 13 |
| | | [Select one] | |
| | | [Select one] | |
| | Total value of related party transactions | | 11,712 |

* include additional rows if needed



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For Year Ended

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SCHEDULE 5c: REPORT ON TERM CREDIT SPREAD DIFFERENTIAL ALLOWANCE

This schedule is only to be completed if, as at the date of the most recently published financial statements, the weighted average original tenor of the debt portfolio (both qualifying debt and non-qualifying debt) is greater than five years. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5c(i): Qualifying Debt (may be Commission only)

| | issuing party | issue date | Pricing date | Original tenor (in years) | Coupon rate (%) | Book value at issue date (NZD) | Book value at date of financial statements (NZD) | Term Credit Spread Difference | Debt issue cost readjustment |
|----|---------------|------------|--------------|---------------------------|-----------------|--------------------------------|--|-------------------------------|------------------------------|
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | | | | | | | | | |
| 10 | | | | | | | | | |
| 11 | | | | | | | | | |
| 12 | | | | | | | | | |
| 13 | | | | | | | | | |
| 14 | | | | | | | | | |
| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | | | | | | | | | |

* include additional rows if needed

5c(ii): Attribution of Term Credit Spread Differential

Gross term credit spread differential

Total book value of interest bearing debt
Leverage

Average opening and closing RAB values

Attribution Rate (%)

Term credit spread differential allowance

| | |
|--|-----|
| | |
| | 42% |
| | |
| | |
| | |
| | |



| | |
|-----------------------|----------------------|
| Company Name | EA Networks |
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SCHEDULE 5d: REPORT ON COST ALLOCATIONS

This schedule provides information on the allocation of operational costs. EDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5d(i): Operating Cost Allocations

| | Arm's length deduction | Value allocated (\$'000s) | | Total | OVABAA allocation increase (\$'000s) |
|--|------------------------|-----------------------------------|---------------------------------------|-------|--------------------------------------|
| | | Electricity distribution services | Non-electricity distribution services | | |
| Service interruptions and emergencies | | | | | |
| Directly attributable | - | 773 | - | | - |
| Not directly attributable | | - | - | | |
| Total attributable to regulated service | | 773 | - | | - |
| Vegetation management | | | | | |
| Directly attributable | - | 470 | - | | - |
| Not directly attributable | | - | - | | |
| Total attributable to regulated service | | 470 | - | | - |
| Routine and corrective maintenance and inspection | | | | | |
| Directly attributable | - | 1,214 | - | | - |
| Not directly attributable | | - | - | | |
| Total attributable to regulated service | | 1,214 | - | | - |
| Asset replacement and renewal | | | | | |
| Directly attributable | - | 1,313 | - | | - |
| Not directly attributable | | - | - | | |
| Total attributable to regulated service | | 1,313 | - | | - |
| System operations and network support | | | | | |
| Directly attributable | - | 3,466 | 0 | | 0 |
| Not directly attributable | | - | - | | |
| Total attributable to regulated service | | 3,466 | 0 | | 0 |
| Business support | | | | | |
| Directly attributable | - | 926 | - | | - |
| Not directly attributable | | 3,751 | 701 | | 4,452 |
| Total attributable to regulated service | | 4,677 | 701 | | 4,453 |
| Operating costs directly attributable | | 8,162 | - | | - |
| Operating costs not directly attributable | | 3,751 | 701 | | 4,453 |
| Operational expenditure | | 11,914 | - | | - |



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SCHEDULE 5d: REPORT ON COST ALLOCATIONS

This schedule provides information on the allocation of operational costs. EDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5d(ii): Other Cost Allocations

Pass through and recoverable costs

Pass through costs

Directly attributable
Not directly attributable

Total attributable to regulated service

Recoverable costs

Directly attributable
Not directly attributable

Total attributable to regulated service

(\$000)

| |
|-----|
| 412 |
| - |
| 412 |

| |
|-------|
| 7,649 |
| - |
| 7,649 |

5d(iii): Changes in Cost Allocations* †

Change in cost allocation 1

Cost category
Original allocator or line items
New allocator or line items

Rationale for change

(\$000)

| | CY-1 | Current Year (CY) |
|-----------------------------------|------|-------------------|
| Business Support - Building Costs | 297 | 297 |
| ACAM | 152 | 152 |
| ABAA | 145 | 145 |
| Original allocation | | |
| New allocation | | |
| Difference | | |

Changed to align to Commerce Commission cost allocation methodology for Business Support costs identified as not directly attributable to the electricity line business.

Change in cost allocation 2

Cost category
Original allocator or line items
New allocator or line items

Rationale for change

(\$000)

| | CY-1 | Current Year (CY) |
|----------------------------------|-------|-------------------|
| Business Support - General Costs | 3,937 | 3,937 |
| ACAM | 3,466 | 3,466 |
| ABAA | 471 | 471 |
| Original allocation | | |
| New allocation | | |
| Difference | | |

Changed to align to Commerce Commission cost allocation methodology for Business Support costs identified as not directly attributable to the electricity line business.

Change in cost allocation 3

Cost category
Original allocator or line items
New allocator or line items

Rationale for change

(\$000)

| | CY-1 | Current Year (CY) |
|--|------|-------------------|
| Business Support - Office related IT Costs | 157 | 157 |
| ACAM | 115 | 115 |
| ABAA | 42 | 42 |
| Original allocation | | |
| New allocation | | |
| Difference | | |

Changed to align to Commerce Commission cost allocation methodology for Business Support costs identified as not directly attributable to the electricity line business.

Change in cost allocation 3

Cost category
Original allocator or line items
New allocator or line items

Rationale for change

(\$000)

| | CY-1 | Current Year (CY) |
|-------------------------------------|------|-------------------|
| Business Support - General IT Costs | 61 | 61 |
| ACAM | 18 | 18 |
| ABAA | 43 | 43 |
| Original allocation | | |
| New allocation | | |
| Difference | | |

Changed to align to Commerce Commission cost allocation methodology for Business Support costs identified as not directly attributable to the electricity line business.

* a change in cost allocation must be completed for each cost allocator change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or component.



SCHEDULE 5d: REPORT ON COST ALLOCATIONS

This schedule provides information on the allocation of operational costs. EDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

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sch.ref

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† include additional rows if needed



| | |
|----------------|---------------|
| Company Name | EA Networks |
| For Year Ended | 31 March 2019 |

SCHEDULE 5e: REPORT ON ASSET ALLOCATIONS

This schedule requires information on the allocation of asset values. This information supports the calculation of the RAB value in Schedule 4. EDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any changes in asset allocations. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

| 5e(i): Regulated Service Asset Values | | Value allocated (\$000s) Electricity distribution services |
|---------------------------------------|--|---|
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | Subtransmission lines | |
| 11 | Directly attributable | 12,623 |
| 12 | Not directly attributable | - |
| 13 | Total attributable to regulated service | 12,623 |
| 14 | Subtransmission cables | |
| 15 | Directly attributable | 831 |
| 16 | Not directly attributable | |
| 17 | Total attributable to regulated service | 831 |
| 18 | Zone substations | |
| 19 | Directly attributable | 23,675 |
| 20 | Not directly attributable | |
| 21 | Total attributable to regulated service | 23,675 |
| 22 | Distribution and LV lines | |
| 23 | Directly attributable | 48,655 |
| 24 | Not directly attributable | |
| 25 | Total attributable to regulated service | 48,655 |
| 26 | Distribution and LV cables | |
| 27 | Directly attributable | 72,051 |
| 28 | Not directly attributable | |
| 29 | Total attributable to regulated service | 72,051 |
| 30 | Distribution substations and transformers | |
| 31 | Directly attributable | 59,757 |
| 32 | Not directly attributable | |
| 33 | Total attributable to regulated service | 59,757 |
| 34 | Distribution switchgear | |
| 35 | Directly attributable | 35,267 |
| 36 | Not directly attributable | |
| 37 | Total attributable to regulated service | 35,267 |
| 38 | Other network assets | |
| 39 | Directly attributable | 1,508 |
| 40 | Not directly attributable | |
| 41 | Total attributable to regulated service | 1,508 |
| 42 | Non-network assets | |
| 43 | Directly attributable | 5,284 |
| 44 | Not directly attributable | 8,797 |
| 45 | Total attributable to regulated service | 14,081 |
| 46 | | |
| 47 | Regulated service asset value directly attributable | 259,651 |
| 48 | Regulated service asset value not directly attributable | 8,797 |
| 49 | Total closing RAB value | 268,447 |
| 50 | | |

| 5e(ii): Changes in Asset Allocations* † | | (\$000) | |
|---|---|---|-------------------|
| | | CY-1 | Current Year (CY) |
| 51 | Change in asset value allocation 1 | | |
| 52 | Asset category | Non-network assets - IT Assets | |
| 53 | Original allocator or line items | ACAM | |
| 54 | New allocator or line items | ABAA | |
| 55 | | Original allocation | 36 |
| 56 | | New allocation | 28 |
| 57 | | Difference | 8 |
| 58 | Rationale for change | Changed to align to Commerce Commission cost allocation methodology for Non-network assets identified as not directly attributable to the electricity lines business. | |
| 59 | | | |
| 60 | | | |
| 61 | Change in asset value allocation 2 | | |
| 62 | Asset category | Non-network assets - Main office | |
| 63 | Original allocator or line items | ACAM | |
| 64 | New allocator or line items | ABAA | |
| 65 | | Original allocation | 4,218 |
| 66 | | New allocation | 3,983 |
| 67 | | Difference | 236 |
| 68 | Rationale for change | Changed to align to Commerce Commission cost allocation methodology for Non-network assets identified as not directly attributable to the electricity lines business. | |
| 69 | | | |
| 70 | | | |
| 71 | Change in asset value allocation 3 | | |
| 72 | Asset category | Non-network assets - General | |
| 73 | Original allocator or line items | ACAM | |
| 74 | New allocator or line items | ABAA | |
| 75 | | Original allocation | 5,358 |
| 76 | | New allocation | 4,786 |
| 77 | | Difference | 573 |
| 78 | Rationale for change | Changed to align to Commerce Commission cost allocation methodology for Non-network assets identified as not directly attributable to the electricity lines business. | |

* a change in asset allocation must be completed for each allocator or component change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or component.
 † include additional rows if needed



Company Name **EA Networks**
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SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs. EDBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory Notes to Templates). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

| | | | | |
|----|--|-------|---------|---------|
| 7 | 6a(i): Expenditure on Assets | | (\$000) | (\$000) |
| 8 | Consumer connection | | | 3,075 |
| 9 | System growth | | | 3,294 |
| 10 | Asset replacement and renewal | | | 8,769 |
| 11 | Asset relocations | | | - |
| 12 | Reliability, safety and environment: | | | |
| 13 | Quality of supply | 2,854 | | |
| 14 | Legislative and regulatory | - | | |
| 15 | Other reliability, safety and environment | 610 | | |
| 16 | Total reliability, safety and environment | | | 3,464 |
| 17 | Expenditure on network assets | | | 18,601 |
| 18 | Expenditure on non-network assets | | | 955 |
| 19 | | | | |
| 20 | Expenditure on assets | | | 19,556 |
| 21 | plus Cost of financing | | | |
| 22 | less Value of capital contributions | | | 1,053 |
| 23 | plus Value of vested assets | | | |
| 24 | | | | |
| 25 | Capital expenditure | | | 18,504 |
| 26 | 6a(ii): Subcomponents of Expenditure on Assets (where known) | | | (\$000) |
| 27 | Energy efficiency and demand side management, reduction of energy losses | | | |
| 28 | Overhead to underground conversion | | | 4,007 |
| 29 | Research and development | | | |
| 30 | 6a(iii): Consumer Connection | | | |
| 31 | Consumer types defined by EDB* | | (\$000) | (\$000) |
| 32 | Capacity/safety & other | | 546 | |
| 33 | Rural with transformer new connection | | 1,206 | |
| 34 | Rural without transformer new connection | | 719 | |
| 35 | Urban new connections | | 199 | |
| 36 | Subdivision | | 405 | |
| 37 | * include additional rows if needed | | | |
| 38 | Consumer connection expenditure | | | 3,075 |
| 39 | | | | |
| 40 | less Capital contributions funding consumer connection expenditure | | 444 | |
| 41 | Consumer connection less capital contributions | | | 2,631 |
| 42 | 6a(iv): System Growth and Asset Replacement and Renewal | | | |
| 43 | | | | |
| 44 | | | | |
| 45 | Subtransmission | 524 | | 1,868 |
| 46 | Zone substations | 1,395 | | - |
| 47 | Distribution and LV lines | 595 | | 1,680 |
| 48 | Distribution and LV cables | 128 | | 4,037 |
| 49 | Distribution substations and transformers | 576 | | 717 |
| 50 | Distribution switchgear | 76 | | 464 |
| 51 | Other network assets | - | | 3 |
| 52 | System growth and asset replacement and renewal expenditure | 3,294 | | 8,769 |
| 53 | less Capital contributions funding system growth and asset replacement and renewal | | 45 | 564 |
| 54 | System growth and asset replacement and renewal less capital contributions | 3,249 | | 8,204 |
| 55 | | | | |
| 56 | 6a(v): Asset Relocations | | | |
| 57 | Project or programme* | | (\$000) | (\$000) |
| 58 | [Description of material project or programme] | | | |
| 59 | [Description of material project or programme] | | | |
| 60 | [Description of material project or programme] | | | |
| 61 | [Description of material project or programme] | | | |
| 62 | [Description of material project or programme] | | | |
| 63 | * include additional rows if needed | | | |
| 64 | All other projects or programmes - asset relocations | | | |
| 65 | Asset relocations expenditure | | | - |
| 66 | less Capital contributions funding asset relocations | | | |
| 67 | Asset relocations less capital contributions | | | - |



| | |
|----------------|---------------|
| Company Name | EA Networks |
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SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs. EDBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory Notes to Templates). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

| | | | | |
|-----|---|--|---------|---------|
| 68 | | | | |
| 69 | 6a(vi): Quality of Supply | | | |
| 70 | <i>Project or programme*</i> | | (\$000) | (\$000) |
| 71 | Prior years all other projects | | 2 | |
| 72 | [2017-2018] Rural Underground Conversion | | 268 | |
| 73 | [2017-2018] SCADA - GridLink Configuration | | 22 | |
| 74 | [2017-2018] ZSS - 66kV UG Cable Screens - | | 14 | |
| | [2017-2018] ZSS HTH - 22kV Switchboard Extension & Feeders | | 14 | |
| | [2018-2019] 11kV Metering point | | 2 | |
| | [2018-2019] Rural Ring Main Unit Installations | | 1,601 | |
| | [2018-2019] SCADA - Distribution Automation Programme | | 783 | |
| 75 | [2018-2019] ZSS - Upgrading 110Vdc Supplies | | 77 | |
| 76 | <i>* include additional rows if needed</i> | | | |
| 77 | All other projects programmes - quality of supply | | 71 | |
| 78 | Quality of supply expenditure | | | 2,854 |
| 79 | <i>less</i> Capital contributions funding quality of supply | | | |
| 80 | Quality of supply less capital contributions | | | 2,854 |
| 81 | 6a(vii): Legislative and Regulatory | | | |
| 82 | <i>Project or programme*</i> | | (\$000) | (\$000) |
| 83 | [Description of material project or programme] | | | |
| 84 | [Description of material project or programme] | | | |
| 85 | [Description of material project or programme] | | | |
| 86 | [Description of material project or programme] | | | |
| 87 | [Description of material project or programme] | | | |
| 88 | <i>* include additional rows if needed</i> | | | |
| 89 | All other projects or programmes - legislative and regulatory | | | |
| 90 | Legislative and regulatory expenditure | | | - |
| 91 | <i>less</i> Capital contributions funding legislative and regulatory | | | |
| 92 | Legislative and regulatory less capital contributions | | | - |
| 93 | 6a(viii): Other Reliability, Safety and Environment | | | |
| 94 | <i>Project or programme*</i> | | (\$000) | (\$000) |
| 95 | [2018-2019] Distribution Earthing Upgrades | | 234 | |
| 96 | [2018-2019] ZSS Security and Surveillance Programme | | 22 | |
| 97 | [2018-2019] UG Conversion - Rakaia Hwy (Mitcham Rd to Works Rd) | | 143 | |
| 98 | [2018-2019] UG Conversion - Rakaia Hwy (Racecourse Rd to Golf Links Rd) | | 177 | |
| 99 | | | | |
| 100 | <i>* include additional rows if needed</i> | | | |
| 101 | All other projects or programmes - other reliability, safety and environment | | 34 | |
| 102 | Other reliability, safety and environment expenditure | | | 610 |
| 103 | <i>less</i> Capital contributions funding other reliability, safety and environment | | | |
| 104 | Other reliability, safety and environment less capital contributions | | | 610 |
| 105 | | | | |
| 106 | 6a(ix): Non-Network Assets | | | |
| 107 | Routine expenditure | | | |
| 108 | <i>Project or programme*</i> | | (\$000) | (\$000) |
| 109 | [2017-2018] Software - GIS Development | | 55 | |
| 110 | [2018-2019] ZSS ASH - Building Improvements | | 33 | |
| 111 | [2018-2019] Routine Info Tech | | 24 | |
| 112 | [2018-2019] Routine vehicles | | 163 | |
| 113 | | | 0 | |
| 114 | <i>* include additional rows if needed</i> | | | |
| 115 | All other projects or programmes - routine expenditure | | | |
| 116 | Routine expenditure | | | 275 |
| 117 | Atypical expenditure | | | |
| 118 | <i>Project or programme*</i> | | (\$000) | (\$000) |
| 119 | [2017-2019] Software - Payroll Management | | 117 | |
| 120 | [2018-2019] DMR Reparter Stations for Rakaia Gorge | | 52 | |
| 121 | [2018-2019] Software - Distribution Management System | | 442 | |
| 122 | [2018-2019] Software - ERP Development | | 38 | |
| 123 | [2018-2019] Website Development | | 31 | |
| 124 | <i>* include additional rows if needed</i> | | | |
| 125 | All other projects or programmes - atypical expenditure | | - | |
| 126 | Atypical expenditure | | | 680 |
| 127 | | | | |
| 128 | Expenditure on non-network assets | | | 955 |



Company Name
For Year Ended

EA Networks
31 March 2019

SCHEDULE 6b: REPORT ON OPERATIONAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of operational expenditure incurred in the disclosure year. EDBs must provide explanatory comment on their operational expenditure in Schedule 14 (Explanatory notes to templates). This includes explanatory comment on any atypical operational expenditure and assets replaced or renewed as part of asset replacement and renewal operational expenditure, and additional information on insurance. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

6b(i): Operational Expenditure

| | (\$000) | (\$000) |
|----|---------|---------|
| 7 | | |
| 8 | 773 | |
| 9 | 470 | |
| 10 | 1,214 | |
| 11 | 1,313 | |
| 12 | | 3,770 |
| 13 | 3,466 | |
| 14 | 4,677 | |
| 15 | | 8,143 |
| 16 | | |
| 17 | | 11,913 |

6b(ii): Subcomponents of Operational Expenditure (where known)

| | | |
|----|--|-----|
| 18 | Energy efficiency and demand side management, reduction of energy losses | |
| 19 | Direct billing* | 21 |
| 20 | Research and development | - |
| 21 | Insurance | 90 |
| 22 | | 118 |
| 23 | | |

* Direct billing expenditure by suppliers that directly bill the majority of their consumers



Company Name **EA Networks**
For Year Ended **31 March 2019**

SCHEDULE 7: COMPARISON OF FORECASTS TO ACTUAL EXPENDITURE

This schedule compares actual revenue and expenditure to the previous forecasts that were made for the disclosure year. Accordingly, this schedule requires the forecast revenue and expenditure information from previous disclosures to be inserted.

EDBs must provide explanatory comment on the variance between actual and target revenue and forecast expenditure in Schedule 14 (Mandatory Explanatory Notes). This information is part of the audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8. For the purpose of this audit, target revenue and forecast expenditures only need to be verified back to previous disclosures.

sch ref

| | Target (\$000) ¹ | Actual (\$000) | % variance |
|--|--------------------------------------|-----------------------|-------------------|
| 7(i): Revenue | | | |
| Line charge revenue | 43,329 | 43,789 | 1% |
| 7(ii): Expenditure on Assets | Forecast (\$000) ² | Actual (\$000) | % variance |
| Consumer connection | 3,268 | 3,075 | (6%) |
| System growth | 4,933 | 3,294 | (33%) |
| Asset replacement and renewal | 11,941 | 8,769 | (27%) |
| Asset relocations | | - | - |
| Reliability, safety and environment: | | | |
| Quality of supply | 2,418 | 2,854 | 18% |
| Legislative and regulatory | | - | - |
| Other reliability, safety and environment | 813 | 610 | (25%) |
| Total reliability, safety and environment | 3,231 | 3,464 | 7% |
| Expenditure on network assets | 23,373 | 18,601 | (20%) |
| Expenditure on non-network assets | 2,597 | 955 | (63%) |
| Expenditure on assets | 25,970 | 19,556 | (25%) |
| 7(iii): Operational Expenditure | | | |
| Service interruptions and emergencies | 1,101 | 773 | (30%) |
| Vegetation management | 333 | 470 | 41% |
| Routine and corrective maintenance and inspection | 1,082 | 1,214 | 12% |
| Asset replacement and renewal | 1,361 | 1,313 | (4%) |
| Network opex | 3,877 | 3,770 | (3%) |
| System operations and network support | 3,690 | 3,466 | (6%) |
| Business support | 4,715 | 4,677 | (1%) |
| Non-network opex | 8,405 | 8,143 | (3%) |
| Operational expenditure | 12,282 | 11,913 | (3%) |
| 7(iv): Subcomponents of Expenditure on Assets (where known) | | | |
| Energy efficiency and demand side management, reduction of energy losses | | - | - |
| Overhead to underground conversion | 8,927 | 4,007 | (55%) |
| Research and development | | - | - |
| 7(v): Subcomponents of Operational Expenditure (where known) | | | |
| Energy efficiency and demand side management, reduction of energy losses | | 21 | - |
| Direct billing | | - | - |
| Research and development | 350 | 90 | (74%) |
| Insurance | 172 | 118 | (31%) |

¹ From the nominal dollar target revenue for the disclosure year disclosed under clause 2.4.3(3) of this determination

² From the CY+1 nominal dollar expenditure forecasts disclosed in accordance with clause 2.6.6 for the forecast period starting at the beginning of the disclosure year (the second to last disclosure of Schedules 11a and 11b)

| | |
|----------------------------|-------------------------------|
| Company Name | Electricity Ashburton Limited |
| For Year Ended | 31 March 2019 |
| Network / Sub-network Name | Eanetworks |

SCHEDULE 9a: ASSET REGISTER

This schedule requires a summary of the quantity of assets that make up the network, by asset category and asset class. All units relating to cable and line assets, that are expressed in km, refer to circuit lengths.

sch ref

| | | | | | Items at start of year (quantity) | Items at end of year (quantity) | Net change | Data accuracy (1-4) |
|----|---------|-----------------------------|--|-------|-----------------------------------|---------------------------------|------------|---------------------|
| 8 | Voltage | Asset category | Asset class | Units | | | | |
| 9 | All | Overhead Line | Concrete poles / steel structure | No. | 2,483 | 2,399 | (84) | 4 |
| 10 | All | Overhead Line | Wood poles | No. | 27,187 | 26,174 | (1,013) | 4 |
| 11 | All | Overhead Line | Other pole types | No. | - | - | - | [Select one] |
| 12 | HV | Subtransmission Line | Subtransmission OH up to 66kV conductor | km | 387 | 378 | (9) | 4 |
| 13 | HV | Subtransmission Line | Subtransmission OH 110kV+ conductor | km | - | - | - | [Select one] |
| 14 | HV | Subtransmission Cable | Subtransmission UG up to 66kV (XLPE) | km | 7 | 7 | (0) | 4 |
| 15 | HV | Subtransmission Cable | Subtransmission UG up to 66kV (Oil pressurised) | km | - | - | - | [Select one] |
| 16 | HV | Subtransmission Cable | Subtransmission UG up to 66kV (Gas pressurised) | km | - | - | - | [Select one] |
| 17 | HV | Subtransmission Cable | Subtransmission UG up to 66kV (PILC) | km | - | - | - | [Select one] |
| 18 | HV | Subtransmission Cable | Subtransmission UG 110kV+ (XLPE) | km | - | - | - | [Select one] |
| 19 | HV | Subtransmission Cable | Subtransmission UG 110kV+ (Oil pressurised) | km | - | - | - | [Select one] |
| 20 | HV | Subtransmission Cable | Subtransmission UG 110kV+ (Gas Pressurised) | km | - | - | - | [Select one] |
| 21 | HV | Subtransmission Cable | Subtransmission UG 110kV+ (PILC) | km | - | - | - | [Select one] |
| 22 | HV | Subtransmission Cable | Subtransmission submarine cable | km | - | - | - | [Select one] |
| 23 | HV | Zone substation Buildings | Zone substations up to 66kV | No. | 28 | 27 | (1) | 3 |
| 24 | HV | Zone substation Buildings | Zone substations 110kV+ | No. | - | - | - | [Select one] |
| 25 | HV | Zone substation switchgear | 50/66/110kV CB (Indoor) | No. | - | - | - | 3 |
| 26 | HV | Zone substation switchgear | 50/66/110kV CB (Outdoor) | No. | 68 | 66 | (2) | 3 |
| 27 | HV | Zone substation switchgear | 33kV Switch (Ground Mounted) | No. | - | - | - | [Select one] |
| 28 | HV | Zone substation switchgear | 33kV Switch (Pole Mounted) | No. | 157 | 165 | 8 | 3 |
| 29 | HV | Zone substation switchgear | 33kV RMU | No. | - | - | - | 3 |
| 30 | HV | Zone substation switchgear | 22/33kV CB (Indoor) | No. | - | - | - | 3 |
| 31 | HV | Zone substation switchgear | 22/33kV CB (Outdoor) | No. | 32 | 32 | - | 3 |
| 32 | HV | Zone substation switchgear | 3.3/6.6/11/22kV CB (ground mounted) | No. | 207 | 192 | (15) | 3 |
| 33 | HV | Zone substation switchgear | 3.3/6.6/11/22kV CB (pole mounted) | No. | 3 | 3 | - | [Select one] |
| 34 | HV | Zone Substation Transformer | Zone Substation Transformers | No. | 36 | 36 | - | [Select one] |
| 35 | HV | Distribution Line | Distribution OH Open Wire Conductor | km | 2,021 | 1,954 | (67) | 3 |
| 36 | HV | Distribution Line | Distribution OH Aerial Cable Conductor | km | - | - | - | [Select one] |
| 37 | HV | Distribution Line | SWER conductor | km | - | - | - | [Select one] |
| 38 | HV | Distribution Cable | Distribution UG XLPE or PVC | km | 265 | 273 | 8 | 3 |
| 39 | HV | Distribution Cable | Distribution UG PILC | km | 4 | 5 | 1 | 3 |
| 40 | HV | Distribution Cable | Distribution Submarine Cable | km | - | - | - | [Select one] |
| 41 | HV | Distribution switchgear | 3.3/6.6/11/22kV CB (pole mounted) - reclosers and sectionalisers | No. | 26 | 27 | 1 | 3 |
| 42 | HV | Distribution switchgear | 3.3/6.6/11/22kV CB (Indoor) | No. | - | - | - | [Select one] |
| 43 | HV | Distribution switchgear | 3.3/6.6/11/22kV Switches and fuses (pole mounted) | No. | 7,650 | 7,707 | 57 | 2 |
| 44 | HV | Distribution switchgear | 3.3/6.6/11/22kV Switch (ground mounted) - except RMU | No. | - | - | - | [Select one] |
| 45 | HV | Distribution switchgear | 3.3/6.6/11/22kV RMU | No. | 481 | 491 | 10 | 3 |
| 46 | HV | Distribution Transformer | Pole Mounted Transformer | No. | 5,154 | 4,990 | (164) | 3 |
| 47 | HV | Distribution Transformer | Ground Mounted Transformer | No. | 2,176 | 2,242 | 66 | 3 |
| 48 | HV | Distribution Transformer | Voltage regulators | No. | 2 | 2 | - | 3 |
| 49 | HV | Distribution Substations | Ground Mounted Substation Housing | No. | 501 | 492 | (9) | 3 |
| 50 | LV | LV Line | LV OH Conductor | km | 96 | 78 | (18) | 3 |
| 51 | LV | LV Cable | LV UG Cable | km | 344 | 389 | 45 | 3 |
| 52 | LV | LV Street lighting | LV OH/UG Streetlight circuit | km | 272 | 310 | 38 | 3 |
| 53 | LV | Connections | OH/UG consumer service connections | No. | 19,653 | 19,868 | 215 | 2 |
| 54 | All | Protection | Protection relays (electromechanical, solid state and numeric) | No. | 202 | 248 | 46 | 3 |
| 55 | All | SCADA and communications | SCADA and communications equipment operating as a single system | Lot | 1 | 1 | - | 4 |
| 56 | All | Capacitor Banks | Capacitors including controls | No. | - | - | - | [Select one] |
| 57 | All | Load Control | Centralised plant | Lot | 3 | 3 | - | 3 |
| 58 | All | Load Control | Relays | No. | 381 | 381 | - | 1 |
| 59 | All | Civils | Cable Tunnels | km | - | - | - | [Select one] |

| | |
|----------------------------|---------------|
| Company Name | EA Networks |
| For Year Ended | 31 March 2019 |
| Network / Sub-network Name | |

SCHEDULE 9c: REPORT ON OVERHEAD LINES AND UNDERGROUND CABLES

This schedule requires a summary of the key characteristics of the overhead line and underground cable network. All units relating to cable and line assets, that are expressed in km, refer to circuit lengths.

sch ref

| | | | | |
|----|--|---|-------------------------|----------------------------------|
| 9 | | | | |
| 10 | Circuit length by operating voltage (at year end) | Overhead (km) | Underground (km) | Total circuit length (km) |
| 11 | > 66kV | – | – | – |
| 12 | 50kV & 66kV | 285 | 2 | 287 |
| 13 | 33kV | 93 | 5 | 98 |
| 14 | SWER (all SWER voltages) | – | – | – |
| 15 | 22kV (other than SWER) | 1,369 | 114 | 1,483 |
| 16 | 6.6kV to 11kV (inclusive—other than SWER) | 585 | 164 | 749 |
| 17 | Low voltage (< 1kV) | 78 | 389 | 467 |
| 18 | Total circuit length (for supply) | 2,409 | 674 | 3,083 |
| 19 | | | | |
| 20 | Dedicated street lighting circuit length (km) | 28 | 282 | 310 |
| 21 | Circuit in sensitive areas (conservation areas, iwi territory etc) (km) | | | – |
| 22 | | | | |
| 23 | Overhead circuit length by terrain (at year end) | (% of total circuit length (km) overhead length) | | |
| 24 | Urban | 91 | | 4% |
| 25 | Rural | 2,263 | | 94% |
| 26 | Remote only | 55 | | 2% |
| 27 | Rugged only | – | | – |
| 28 | Remote and rugged | – | | – |
| 29 | Unallocated overhead lines | – | | – |
| 30 | Total overhead length | 2,409 | | 100% |
| 31 | | | | |
| 32 | | (% of total circuit length) | | |
| 33 | Length of circuit within 10km of coastline or geothermal areas (where known) | 466 | | 15% |
| 34 | | (% of total overhead length) | | |
| 35 | Overhead circuit requiring vegetation management | 2,409 | | 100% |

Company Name **EA Networks**
 For Year Ended **31 March 2019**

SCHEDULE 9d: REPORT ON EMBEDDED NETWORKS

This schedule requires information concerning embedded networks owned by an EDB that are embedded in another EDB's network or in another embedded network.

sch ref

| | Location * | Number of ICPs served | Line charge revenue (\$000) |
|----|-------------------------------|-----------------------|-----------------------------|
| 8 | | | |
| 9 | Upper Rakaia on Orion Network | 13 | 18 |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |

* Extend embedded distribution networks table as necessary to disclose each embedded network owned by the EDB which is embedded in another EDB's network or in another embedded network

| | |
|----------------------------|---------------|
| Company Name | EA Networks |
| For Year Ended | 31 March 2019 |
| Network / Sub-network Name | |

SCHEDULE 9e: REPORT ON NETWORK DEMAND

This schedule requires a summary of the key measures of network utilisation for the disclosure year (number of new connections including distributed generation, peak demand and electricity volumes conveyed).

sch ref

9e(i): Consumer Connections

Number of ICPs connected in year by consumer type

Consumer types defined by EDB*

| |
|---------------------|
| General |
| Irrigation |
| Industrial |
| [EDB consumer type] |
| [EDB consumer type] |

* include additional rows if needed

Number of connections (ICPs)

| |
|-----|
| 231 |
| 9 |
| (2) |
| |
| |

Connections total

| |
|-----|
| 238 |
|-----|

Distributed generation

Number of connections made in year

| | |
|----|-------------|
| 45 | connections |
|----|-------------|

Capacity of distributed generation installed in year

| | |
|---|-----|
| 0 | MVA |
|---|-----|

9e(ii): System Demand

Maximum coincident system demand

GXP demand

| |
|-----|
| 157 |
|-----|

plus Distributed generation output at HV and above

| |
|---|
| 1 |
|---|

Maximum coincident system demand

| |
|-----|
| 158 |
|-----|

less Net transfers to (from) other EDBs at HV and above

| |
|-----|
| (0) |
|-----|

Demand on system for supply to consumers' connection points

| |
|-----|
| 158 |
|-----|

Demand at time of maximum coincident demand (MW)

Electricity volumes carried

Electricity supplied from GXPs

| |
|-----|
| 414 |
|-----|

less Electricity exports to GXPs

| |
|---|
| 0 |
|---|

plus Electricity supplied from distributed generation

| |
|-----|
| 146 |
|-----|

less Net electricity supplied to (from) other EDBs

| |
|-----|
| (0) |
|-----|

Electricity entering system for supply to consumers' connection points

| |
|-----|
| 560 |
|-----|

less Total energy delivered to ICPs

| |
|-----|
| 502 |
|-----|

Electricity losses (loss ratio)

| | |
|----|-------|
| 58 | 10.4% |
|----|-------|

Load factor

| |
|------|
| 0.40 |
|------|

9e(iii): Transformer Capacity

Distribution transformer capacity (EDB owned)

| |
|-----|
| 582 |
|-----|

Distribution transformer capacity (Non-EDB owned, estimated)

| |
|---|
| 7 |
|---|

Total distribution transformer capacity

| |
|-----|
| 589 |
|-----|

Zone substation transformer capacity

| |
|-----|
| 364 |
|-----|

(MVA)

| | |
|----------------------------|---------------|
| Company Name | EA Networks |
| For Year Ended | 31 March 2019 |
| Network / Sub-network Name | |

SCHEDULE 10: REPORT ON NETWORK RELIABILITY

This schedule requires a summary of the key measures of network reliability (interruptions, SAIDI, SAIFI and fault rate) for the disclosure year. EDBs must provide explanatory comment on their network reliability for the disclosure year in Schedule 14 (Explanatory notes to templates). The SAIFI and SAIDI information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

| | | | |
|----|---|--------------------------------|-------------------------------|
| 8 | 10(i): Interruptions | | |
| 9 | Interruptions by class | Number of interruptions | |
| 10 | Class A (planned interruptions by Transpower) | – | |
| 11 | Class B (planned interruptions on the network) | 260 | |
| 12 | Class C (unplanned interruptions on the network) | 226 | |
| 13 | Class D (unplanned interruptions by Transpower) | – | |
| 14 | Class E (unplanned interruptions of EDB owned generation) | – | |
| 15 | Class F (unplanned interruptions of generation owned by others) | – | |
| 16 | Class G (unplanned interruptions caused by another disclosing entity) | – | |
| 17 | Class H (planned interruptions caused by another disclosing entity) | – | |
| 18 | Class I (interruptions caused by parties not included above) | – | |
| 19 | Total | 486 | |
| 20 | | | |
| 21 | Interruption restoration | ≤3Hrs | >3hrs |
| 22 | Class C interruptions restored within | 186 | 40 |
| 23 | | | |
| 24 | SAIFI and SAIDI by class | SAIFI | SAIDI |
| 25 | Class A (planned interruptions by Transpower) | – | – |
| 26 | Class B (planned interruptions on the network) | 0.40 | 127.45 |
| 27 | Class C (unplanned interruptions on the network) | 1.06 | 69.97 |
| 28 | Class D (unplanned interruptions by Transpower) | – | – |
| 29 | Class E (unplanned interruptions of EDB owned generation) | – | – |
| 30 | Class F (unplanned interruptions of generation owned by others) | – | – |
| 31 | Class G (unplanned interruptions caused by another disclosing entity) | – | – |
| 32 | Class H (planned interruptions caused by another disclosing entity) | – | – |
| 33 | Class I (interruptions caused by parties not included above) | – | – |
| 34 | Total | 1.46 | 197.4 |
| 35 | | | |
| 36 | Normalised SAIFI and SAIDI | Normalised SAIFI | Normalised SAIDI |
| 37 | Classes B & C (interruptions on the network) | 1.46 | 197.43 per 2012 determination |
| 38 | ‡Classes B & C (Assessed values for Default Price-Quality Path Determination) | 1.20 | 133.70 |

| | |
|----------------------------|---------------|
| Company Name | EA Networks |
| For Year Ended | 31 March 2019 |
| Network / Sub-network Name | |

SCHEDULE 10: REPORT ON NETWORK RELIABILITY

This schedule requires a summary of the key measures of network reliability (interruptions, SAIDI, SAIFI and fault rate) for the disclosure year. EDBs must provide explanatory comment on their network reliability for the disclosure year in Schedule 14 (Explanatory notes to templates). The SAIFI and SAIDI information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

10(ii): Class C Interruptions and Duration by Cause

| Cause | SAIFI | SAIDI |
|--------------------------|-------|-------|
| Lightning | 0.15 | 4.15 |
| Vegetation | 0.03 | 1.28 |
| Adverse weather | 0.25 | 22.15 |
| Adverse environment | 0.01 | 1.34 |
| Third party interference | 0.13 | 9.43 |
| Wildlife | 0.07 | 4.95 |
| Human error | 0.00 | 0.01 |
| Defective equipment | 0.20 | 16.74 |
| Cause unknown | 0.22 | 9.92 |

10(iii): Class B Interruptions and Duration by Main Equipment Involved

| Main equipment involved | SAIFI | SAIDI |
|------------------------------------|-------|--------|
| Subtransmission lines | 0.03 | 11.73 |
| Subtransmission cables | – | – |
| Subtransmission other | – | – |
| Distribution lines (excluding LV) | 0.34 | 106.67 |
| Distribution cables (excluding LV) | 0.03 | 9.06 |
| Distribution other (excluding LV) | – | – |

10(iv): Class C Interruptions and Duration by Main Equipment Involved

| Main equipment involved | SAIFI | SAIDI |
|------------------------------------|-------|-------|
| Subtransmission lines | 0.17 | 7.81 |
| Subtransmission cables | – | – |
| Subtransmission other | 0.07 | 0.78 |
| Distribution lines (excluding LV) | 0.79 | 60.87 |
| Distribution cables (excluding LV) | – | – |
| Distribution other (excluding LV) | 0.02 | 0.51 |

10(v): Fault Rate

| Main equipment involved | Number of Faults | Circuit length (km) | Fault rate (faults per 100km) |
|------------------------------------|------------------|---------------------|-------------------------------|
| Subtransmission lines | 9 | 378 | 2.38 |
| Subtransmission cables | 1 | 7 | 14.29 |
| Subtransmission other | 3 | | |
| Distribution lines (excluding LV) | 232 | 1,954 | 11.87 |
| Distribution cables (excluding LV) | – | 279 | – |
| Distribution other (excluding LV) | 3 | | |
| Total | 248 | | |

Company Name EA Networks

For Year Ended 31 March 2019

Schedule 14 Mandatory Explanatory Notes

(Guidance Note: This Microsoft Word version of Schedules 14, 14a and 15 is from the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018. Clause references in this template are to that determination)

1. This schedule requires EDBs to provide explanatory notes to information provided in accordance with clauses 2.3.1, 2.4.21, 2.4.22, and subclauses 2.5.1(1)(f), and 2.5.2(1)(e).
2. This schedule is mandatory—EDBs must provide the explanatory comment specified below, in accordance with clause 2.7.1. Information provided in boxes 1 to 11 of this schedule is part of the audited disclosure information, and so is subject to the assurance requirements specified in section 2.8.
3. Schedule 15 (Voluntary Explanatory Notes to Schedules) provides for EDBs to give additional explanation of disclosed information should they elect to do so.

Return on Investment (Schedule 2)

4. In the box below, comment on return on investment as disclosed in Schedule 2. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 1: Explanatory comment on return on investment

ROI – Comparable to a post-tax reflecting all revenue is:

- comparable to the 75 percentile post-tax.
- slightly down from the prior year, due to increasing costs

4 Information on reclassified items in accordance with subclause 2.7.1(2)

There has been no re-classification of items in the disclosure year.

Regulatory Profit (Schedule 3)

5. In the box below, comment on regulatory profit for the disclosure year as disclosed in Schedule 3. This comment must include-
 - 5.1 a description of material items included in other regulated income (other than gains / (losses) on asset disposals), as disclosed in 3(i) of Schedule 3
 - 5.2 information on reclassified items in accordance with subclause 2.7.1(2).

Box 2: Explanatory comment on regulatory profit

5.1 A description of material items included in other regulated income (other than gains / (losses) on asset disposals), as disclosed in 3(i) of Schedule 3

| | |
|--------------------------------------|------------|
| Other regulatory income | \$'000 |
| New connection fees | 288 |
| Other income | 6 |
| Sale of scrap | 130 |
| Total other regulatory income | 424 |

5.2 information on reclassified items in accordance with subclause 2.7.1(2)

Business support costs have been reclassified from 'directly attributable' to 'not directly attributable', as result of the adoption of ABAA allocation methodology.

Merger and acquisition expenses (3(iv) of Schedule 3)

6. If the EDB incurred merger and acquisitions expenditure during the disclosure year, provide the following information in the box below-

6.1 information on reclassified items in accordance with subclause 2.7.1(2)

6.2 any other commentary on the benefits of the merger and acquisition expenditure to the EDB.

Box 3 Merger and acquisition expenses

No merger or acquisition occurred in the reporting period.

No items have been reclassified in accordance with subclause 2.7.1(2)

Value of the Regulatory Asset Base (Schedule 4)

7. In the box below, comment on the value of the regulatory asset base (rolled forward) in Schedule 4. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 4: Explanatory comment on the value of the regulatory asset based (rolled forward)

All assets commissioned, decommissioned and depreciated in the year have followed the requirements of the determination.

With the adoption of ABAA \$9.613M of 'non-network assets directly attributable' has been reclassified as 'non-network assets not directly attributable'. After the ABAA allocators were applied non-network assets directly attributable allocated RAB decreased by \$0.816M. Which leaves a closing allocated RAB balance of \$8.797M for non-network assets not directly attributable.

Regulatory tax allowance: disclosure of permanent differences (5a(i) of Schedule 5a)

8. In the box below, provide descriptions and workings of the material items recorded in the following asterisked categories of 5a(i) of Schedule 5a-

- 8.1 Income not included in regulatory profit / (loss) before tax but taxable;
- 8.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible;
- 8.3 Income included in regulatory profit / (loss) before tax but not taxable;
- 8.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax.

Box 5: Regulatory tax allowance: permanent differences

| 8.1 Income not included in regulatory profit / (loss) before tax but taxable | \$'000 |
|---|---------------|
| Capital Contributions | 188 |
| Total | 188 |

Prior to 2014 EA Networks accounted for capital contributions using the 10 year amortisation method for tax. From 2014 capital contributions have been offset against network assets for tax purposes. The \$188k represents amortisation of capital contributions paid prior to the start of 2014 year

| 8.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible | \$'000 |
|--|---------------|
| Account profit on PPE sold | 714 |
| | 714 |

| 8.3 Income included in regulatory profit / (loss) before tax but not taxable | \$'000 |
|---|---------------|
| Movement in hoilday pay and ACC accruals | 7 |
| Total | 7 |

| 8.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax | \$'000 |
|--|---------------|
| Tax loss on assets sold | 265 |
| Total | 265 |

Regulatory tax allowance: disclosure of temporary differences (5a(vi) of Schedule 5a)

9. In the box below, provide descriptions and workings of material items recorded in the asterisked category 'Tax effect of other temporary differences' in 5a(vi) of Schedule 5a.

Box 6: Tax effect of other temporary differences (current disclosure year)

| | 2018 | 2019 |
|-----------------------|-------|-------|
| Employee entitlements | 284 | 286 |
| Provision for ACC | 10 | 1 |
| | <hr/> | <hr/> |
| | 294 | 287 |
| Less 2018 | | 294 |
| Movement | | <hr/> |
| | | (7) |

Cost allocation (Schedule 5d)

10. In the box below, comment on cost allocation as disclosed in Schedule 5d. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 7: Cost allocation

ABAA (accounting-based allocation approach) has been applied to allocate not directly attributable costs in the disclosure year in accordance with the IM determination.

Proxy cost allocators have been used due to no direct relationship between not directly attributable business support operating costs and the manner in which costs are incurred.

Asset allocation (Schedule 5e)

11. In the box below, comment on asset allocation as disclosed in Schedule 5e. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 8: Commentary on asset allocation

ABAA (accounting-based allocation approach) has been applied to allocate not directly attributable costs for the first time in the disclosure year in accordance with the IM determination.

Proxy cost allocators have been used due to no direct relationship between not directly attributable non-network assets and use.

Capital Expenditure for the Disclosure Year (Schedule 6a)

12. In the box below, comment on expenditure on assets for the disclosure year, as disclosed in Schedule 6a. This comment must include-
- 12.1 a description of the materiality threshold applied to identify material projects and programmes described in Schedule 6a;
 - 12.2 information on reclassified items in accordance with subclause 2.7.1(2).

Box 9: Explanation of capital expenditure for the disclosure year

Section 12.1 Materiality Threshold

A three-step principle based test is used to define materiality associated with schedule 6a.

- 1) The risk associated with the project in question: projects with notable risk are detailed in the schedule.
- 2) Projects which require notable financial investment are detailed individually. Currently notable financial investment is defined as above \$100k.
- 3) Projects individually reported in the 2018 AMP are reported on.

Section 12.2 Reclassified items

There has been no re-classification of items in the disclosure year.

Operational Expenditure for the Disclosure Year (Schedule 6b)

13. In the box below, comment on operational expenditure for the disclosure year, as disclosed in Schedule 6b. This comment must include-
 - 13.1 Commentary on assets replaced or renewed with asset replacement and renewal operational expenditure, as reported in 6b(i) of Schedule 6b;
 - 13.2 Information on reclassified items in accordance with subclause 2.7.1(2);
 - 13.3 Commentary on any material atypical expenditure included in operational expenditure disclosed in Schedule 6b, a including the value of the expenditure the purpose of the expenditure, and the operational expenditure categories the expenditure relates to.

Box 10: Explanation of operational expenditure for the disclosure year

Commentary on assets replaced or renewed reported in 6b(i) of Schedule 6b

| Assets replacement and renewal | \$000's |
|---------------------------------------|----------------|
| Circuit Breakers | 11 |
| Distribution substations | 132 |
| Other | 7 |
| Overhead | 381 |
| Substation | 15 |
| Transformers | 29 |
| Underground | 172 |
| Zone Substation | 555 |
| Switchgear & Fuses | 12 |
| | 1,313 |

Service interruptions and emergencies, vegetation management, routine and corrective maintenance and inspection and asset replacement and renewals are managed together. Collective costs are within 3% of forecasted costs stated in the AMP.

Information on reclassified items in accordance with subclause 2.7.1(2)

ABAA (accounting-based allocation approach) has been applied to allocate not directly attributable costs for the first time in the disclosure year in accordance with the IM determination. The impact of the ABAA is defined in other boxes within schedule 14.

Commentary on any material atypical expenditure included in operational expenditure disclosed in Schedule 6b, including the value of the expenditure the purpose of the expenditure, and the operational expenditure categories the expenditure relates to.

There was no atypical expenditure in operational expenditure for the year.

Variance between forecast and actual expenditure (Schedule 7)

14. In the box below, comment on variance in actual to forecast expenditure for the disclosure year, as reported in Schedule 7. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 11: Explanatory comment on variance in actual to forecast expenditure

| Consumer connection | | | | |
|---------------------------------------|------------------|----------------|------------------|------------|
| | Forecast (\$000) | Actual (\$000) | Variance (\$000) | % Variance |
| Capacity/safety & other | 1,042 | 546 | (496) | |
| Rural with transformer new connection | 1,555 | 1,206 | (349) | |
| Rural LV | 345 | 719 | 374 | |
| Urban new connections | 326 | 199 | (127) | |
| Subdivision | 0 | 405 | 405 | |
| | 3,268 | 3,075 | (193) | (5.91%) |

Notes on Variances

Estimated customer connection expenditure for the AMP was set using historical trends and other information which EA Networks was aware of. Several factors beyond EA Networks control affect the actual number of and amount spent on new connections. For example, milk prices.

| System Growth | | | | |
|---|------------------|----------------|------------------|------------|
| | Forecast (\$000) | Actual (\$000) | Variance (\$000) | % Variance |
| Subtransmission | 732 | 524 | (208) | |
| Zone Substations | 2,297 | 1,395 | (902) | |
| Distribution and LV lines | 464 | 595 | 131 | |
| Distribution and LV cables | 195 | 128 | (67) | |
| Distribution substations and transformers | 1,108 | 576 | (532) | |
| Distribution switchgear | 67 | 76 | 9 | |
| Other Network Assets | 70 | 0 | (70) | |
| | 4,933 | 3,294 | (530) | (10.73%) |

Notes on Variances

Subtransmission: Project 66kV ENG-FTH was planned to be completed this year. A delay in the cable delivery has resulted in the 66kV ENG project completion date being deferred to next year.

Zone substation: The delay in the 66kV ENG-FTN project has resulted in the delay of associated projects whose costs are recorded under this heading.

Distribution substations and transformers: The AMP over forecasted the number of 22kV transformers which would be installed in the disclosure year.

| Asset Replacement and Renewal | | | | |
|---|------------------|----------------|------------------|------------|
| | Forecast (\$000) | Actual (\$000) | Variance (\$000) | % Variance |
| Subtransmission | 3,093 | 1,868 | (1,225) | |
| Zone Substations | 0 | 0 | 0 | |
| Distribution and LV lines | 3,564 | 1,680 | (1,884) | |
| Distribution and LV cables | 4,389 | 4,037 | (352) | |
| Distribution substations and transformers | 612 | 717 | 105 | |
| Distribution switchgear | 263 | 464 | 201 | |
| Other Network Assets | 20 | 3 | (17) | |
| | 11,941 | 8,769 | (3,172) | (26.57%) |

Notes on Variances

Subtransmission. Mainly due to a delay resulting from the delivery of the cable associated with the ENG-ASH Cable project.

Distribution LV lines. Mainly due to the upper Rakaia river project being delayed due to consenting and resourcing issues associated with other projects.

| Quality of supply | | | | |
|--|------------------|----------------|------------------|---------------|
| | Forecast (\$000) | Actual (\$000) | Variance (\$000) | % Variance |
| Prior years all other projects | | 2 | 2 | |
| [2017-2018] Rural Underground Conversion | | 268 | 268 | |
| [2017-2018] SCADA - GridLink Configuration | | 22 | 22 | |
| [2017-2018] ZSS - 66kV UG Cable Screens - | | 14 | 14 | |
| [2017-2018] ZSS HTH - 22kV Switchboard Extension & Feeders | | 14 | 14 | |
| [2018-2019] 11kV Metering point | 31 | 2 | (29) | |
| [2018-2019] Rural Ring Main Unit Installations | 1,133 | 1,601 | 468 | |
| [2018-2019] SCADA - Distribution Automation Programme | 432 | 783 | 351 | |
| [2018-2019] ZSS - Upgrading 110Vdc Supplies | 91 | 77 | (14) | |
| [2018-2019] ZSS - Control upgrades | 75 | | (75) | |
| [2018-2019] 11 kV Core Network (urban) | 421 | | (421) | |
| [2018-2019] OH Dampers installation | 53 | | (53) | |
| [2018-2019] 66kV Synchrophasors | 70 | | (70) | |
| All other projects programmes - quality of supply | 112 | 71 | (41) | |
| | 2,418 | 2,854 | 436 | 18.04% |

Notes on Variance

The [2017-2018] projects were carried over from the prior year, due to resourcing issues in the prior year.

[2018-2019] *11kV Metering point*. Delayed due to resource consent issues.

[2018-2019] *Rural Ring Main Unit Installations*. Catch-up from prior years.

[2018-2019] *SCADA – Distribution Automation Programme*. Catch-up from prior years.

[2018-2019] *ZSS – Upgrading 110Vdc Supplies*. Equipment cost were less than expected

[2018-2019] *ZSS – Control upgrades*. Delayed due to engineering resourcing issues

[2018-2019] *11kV Core Network (urban)*. Delayed due to negotiating a MOU to work with the local council to open the footpath once and share costs.

[2018-2019] *OH Dampers installation*. Delayed due to resourcing

[2018-2019] *66kV Synchrophasors*. Delayed due to resourcing

[2018-2019] *11kV Metering point Rakaia Gorge*. Delayed due to consenting issue.

| Other Reliability, Safety and Environment | | | | |
|--|------------------|----------------|------------------|-----------------|
| | Forecast (\$000) | Actual (\$000) | Variance (\$000) | % Variance |
| [2018-2019] All other projects or programmes - other reliability, safety and environment | 55 | 34 | (21) | |
| [2018-2019] Distribution Earthing Upgrades | 386 | 234 | (152) | |
| [2018-2019] ZSS Security and Surveillance Programme | 31 | 22 | (9) | |
| [2018-2019] UG Conversion - Rakaia Hwy (Mitcham Rd to Works Rd) | 176 | 143 | (33) | |
| [2018-2019] UG Conversion - Rakaia Hwy (Racecourse Rd to Golf Links Rd) | 79 | 177 | 98 | |
| [2018-2019] UG Conversion - State Hwy Road Crossings | 86 | 0 | (86) | |
| | 813 | 610 | (203) | (25.02%) |

Notes on Variance

[2018-2019] *Distribution earth upgrades*. Delayed due to resourcing issue

[2018-2019] *UG Conversion – Rakaia Hwy projects*. Increased civil costs due to ducts in the ground not being able to be used

[2018-2019] *UG Conversion – State Hwy Road Crossing*. Delayed due to urgent unplanned undergrounding required in another part of the network.

| Expenditure on non-network assets | | | | |
|---|------------------|----------------|------------------|-----------------|
| | Forecast (\$000) | Actual (\$000) | Variance (\$000) | % Variance |
| [2017-2018] Software - GIS Development | 52 | 55 | 3 | |
| [2018-2019] ZSS ASH - Building Improvements | 103 | 33 | (70) | |
| [2018-2019] Routine Info Tech | 20 | 24 | 4 | |
| [2018-2019] Routine vehicles | 283 | 163 | (120) | |
| [2017-2019] Software - Payroll Management and ERP development | 231 | 155 | (76) | |
| [2018-2019] DMR Reporter Stations for Rakaia Gorge | 64 | 52 | (12) | |
| [2018-2019] Software - Distribution Management System | 988 | 442 | (546) | |
| [2018-2019] Website Development | 66 | 31 | (35) | |
| [2018-2019] Routine Plant | 10 | | (10) | |
| [2018-2019] ICP Management | 106 | | (106) | |
| [2018-2019] Billing Engine Development | 332 | | (332) | |
| [2018-2019] EV Charging Station | 146 | | (146) | |
| [2018-2019] Website Development | 100 | | (100) | |
| [2018-2019] Office Hardware & Reconfiguration | 39 | | (39) | |
| All other projects or programmes - atypical expenditure | 57 | 0 | (57) | |
| | <u>2,597</u> | <u>955</u> | <u>(1,642)</u> | <u>(63.22%)</u> |

Notes on Variances

[2018-2019] ZSS ASH-Building Improvements. Delayed due to focus on the 66kV cable project.

[2018-2019] Routine vehicles. Lower number of units purchase due to operational requirements

[2018-2019] Software – Payroll management and DRP development. Focus has been on embedding the software installed last year over development.

[2018-2019] Software – Distribution Management System. Timing issue associated with payment of software.

[2018-2019] Website Development. Chose a lower cost development plan than was allowed for in the budget.

[2018-2019] balance of projects. Delayed to next year, due to resources issues.

7(iii): Operational Expenditure

Operational expenditure is managed as a whole rather than on an individual basis. Overall operational expenditure is in line with the 2018 AMP.

Information on reclassified items in accordance with subclause 2.7.1(2)

ABAA (accounting-based allocation approach) has been applied to allocate not directly attributable costs for the first time in the disclosure year in accordance with the IM determination. The impact of the ABAA on the disclosure is explained in this schedule.

Information relating to revenues and quantities for the disclosure year

15. In the box below provide-

15.1 a comparison of the target revenue disclosed before the start of the disclosure year, in accordance with clause 2.4.1 and subclause 2.4.3(3) to total billed line charge revenue for the disclosure year, as disclosed in Schedule 8; and

15.2 explanatory comment on reasons for any material differences between target revenue and total billed line charge revenue.

Box 12: Explanatory comment relating to revenue for the disclosure year

Line revenue for the year was within 1% of the target.

There are no material differences between targeted revenue and total billed line charge revenue

Network Reliability for the Disclosure Year (Schedule 10)

16. In the box below, comment on network reliability for the disclosure year, as disclosed in Schedule 10.

Box 13: In accordance with the notice published by the Commerce Commission on 22 August 2019, this box has not been filled in. The information which would have normally been found in this box is recorded in schedule 15.

Insurance cover

17. In the box below, provide details of any insurance cover for the assets used to provide electricity distribution services, including-

17.1 The EDB's approaches and practices in regard to the insurance of assets used to provide electricity distribution services, including the level of insurance;

17.2 In respect of any self insurance, the level of reserves, details of how reserves are managed and invested, and details of any reinsurance.

Box 14: Explanation of insurance cover

Question 17.1 level of insurance

Where it is economically sensible to insure assets EA Networks has insurance in place. In practise this means that most items outside of substation fencing will not be insured.

Question 17.2 levels of reserves

Rather than holding insurance reserves EA Networks has identified the highest risk associated with the network is adverse weather conditions. In order to minimise this risk EA is undergrounding its networks when it is economically sensible to do so.

Amendments to previously disclosed information

18. In the box below, provide information about amendments to previously disclosed information disclosed in accordance with clause 2.12.1 in the last 7 years, including:

18.1 a description of each error; and

18.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

Box 15: Disclosure of amendment to previously disclosed information

No material errors have been identified.

Company Name EA Networks
For Year Ended 31 March 2019

Schedule 14a Mandatory Explanatory Notes on Forecast Information

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018.)

1. This Schedule requires EDBs to provide explanatory notes to reports prepared in accordance with clause 2.6.6.
2. This Schedule is mandatory—EDBs must provide the explanatory comment specified below, in accordance with clause 2.7.2. This information is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section 2.8.

Commentary on difference between nominal and constant price capital expenditure forecasts (Schedule 11a)

3. In the box below, comment on the difference between nominal and constant price capital expenditure for the current disclosure year and 10 year planning period, as disclosed in Schedule 11a.

Box 1: Commentary on difference between nominal and constant price capital expenditure forecasts
The difference is 0.0%. Costs have been prepared using 2018-19 values for labour, plant and materials. Years after 2018-19 have been escalated by the 2019-22 CPI Forecast by the New Zealand Government Treasury published on 14th December 2017. (<http://www.treasury.govt.nz/budget/forecasts/hyefu2017>)

Commentary on difference between nominal and constant price operational expenditure forecasts (Schedule 11b)

4. In the box below, comment on the difference between nominal and constant price operational expenditure for the current disclosure year and 10 year planning period, as disclosed in Schedule 11b.

Box 2: Commentary on difference between nominal and constant price operational expenditure forecasts

The difference is 0.0% for 2019-20. Costs have been prepared using 2019-20 values for labour, plant and materials. Years after 2019-20 have been escalated by the 2020 CPI Forecast by the New Zealand Government Treasury published on 13th December 2018. (<https://treasury.govt.nz/publications/efu/half-year-economic-and-fiscal-update-2018>)

EA Networks considers the answers given for 3. and 4. represent the most prudent source of information available to EA Networks for the purpose of estimating future costs.

A vast range of alternative algorithms can be proposed and defended, but there is no authoritative judgement upon which is the most accurate and reliable.

EA Networks does not have sufficient internal expertise to promote any particular theory or speculate on how future costs will trend.

It is the opinion of EA Networks that the Treasury's CPI forecast is a reasonable indicator of future cost as it incorporates a range of factors that could influence the future cost of expenditure on the electricity network.

Even with additional cost escalation data, EA Networks current future cost modelling is not sufficiently granular to take full advantage of the additional detail.

The Treasury forecast extends to 2023. Beyond 2023, EA Networks have used the 2023 CPI value (2.2%) until 2029.

| | |
|----------------|----------------------|
| Company Name | <u>EA Networks</u> |
| For Year Ended | <u>31 March 2019</u> |

Schedule 15 Voluntary Explanatory Notes

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018.)

1. This schedule enables EDBs to provide, should they wish to-
 - 1.1 additional explanatory comment to reports prepared in accordance with clauses 2.3.1, 2.4.21, 2.4.22, 2.5.1 and 2.5.2;
 - 1.2 information on any substantial changes to information disclosed in relation to a prior disclosure year, as a result of final wash-ups.
2. Information in this schedule is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section 2.8.
3. Provide additional explanatory comment in the box below.

Box 1: Voluntary explanatory comment on disclosed information

On 22nd August 2019 the Commerce Commission published a guideline “Information Disclosure exemption: Disclosure of reliability information within Schedule 10 of the 2019 EDB Information Disclosure Requirements Information Templates for Schedules 1-10.”, this guideline removes the requirement for:

- the information in Schedule 10 of the Disclosure Requirement to be included within the Audited disclosed information under Clause 1.4.3 and from the definition of interruption specified within Clause 1.4.3 of the ID Determination as it applies to the calculation of SAIFI and SAIDI, and the recording of the Number of Interruptions under Schedule 10 – Report on Network Reliability.
- Disclosing information required under Paragraph 16 of the Schedule 14 – Mandatory Explanatory Notes

The exemption is granted on the condition that:

- EDBs submit information calculated on a basis that is consistent with the basis undertaken in preparing the 2018 disclosure year.
- EDBs add a note to Schedule 15, this schedule, disclosing:
 - Whether the information has been prepared on a basis consistent with the previous year’s disclosure, if not, the reason for, and nature of, the change in the calculation.
EA Networks response: The information contained in Schedule 10 has been disclosed using a consistent approach to prepare the data as in prior years.
 - The process applied in recognising, or not recognising, successive interruptions following an initial outage.
EA Networks response: The NOC becomes aware of an outage either from SCADA, Retailer (phone or email) or phone call from a customer. The time of these notifications is taken as the start time for the interruption. When responding to outages for larger areas, restoration is commonly done in stages to connect customers as quickly as possible. This is done by patrolling a section of line up to a switching device, opening it to isolate the unpatrolled section of line beyond and then livening up to the device. This restores supply to the customers fed from the section of line that has been patrolled. This sequence is then followed until the cause of the interruption is identified or in the case of Unknown faults, all the line has been patrolled. This creates a situation where a wider area fault will have one off time, but several restore times for the customers affected by the initial fault. There may at times be a situation where the cause of the fault was not spotted by patrolling e.g. underground cable fault, and the line is inadvertently closed back on to the fault. The result of this is customers that have already had their power restored from the initial fault lose power again. This is captured as a one fault event as the cause of the initial fault has yet to be identified when this happens.
- Comment on network reliability for the disclosure year.
EA Networks response:
 - SAIFI and SAIDI for the year did not breach the requirements of the quality path.
 - Class C interruptions and Duration by cause:
 - Defective equipment. The main defective equipment causes the outages are cable terminations and broken insulators. We have not been able to identify any obvious patterns or connections between outages.
 - Adverse environment. We have not been able to identify any obvious patterns or connections between outages.
 - Cause unknown. The Unknown Interruptions are almost exclusively blown fuse events with most noting that no cause was found.
 - Network reliability is compliant with quality requirements under the default price-quality path.

APPENDIX A

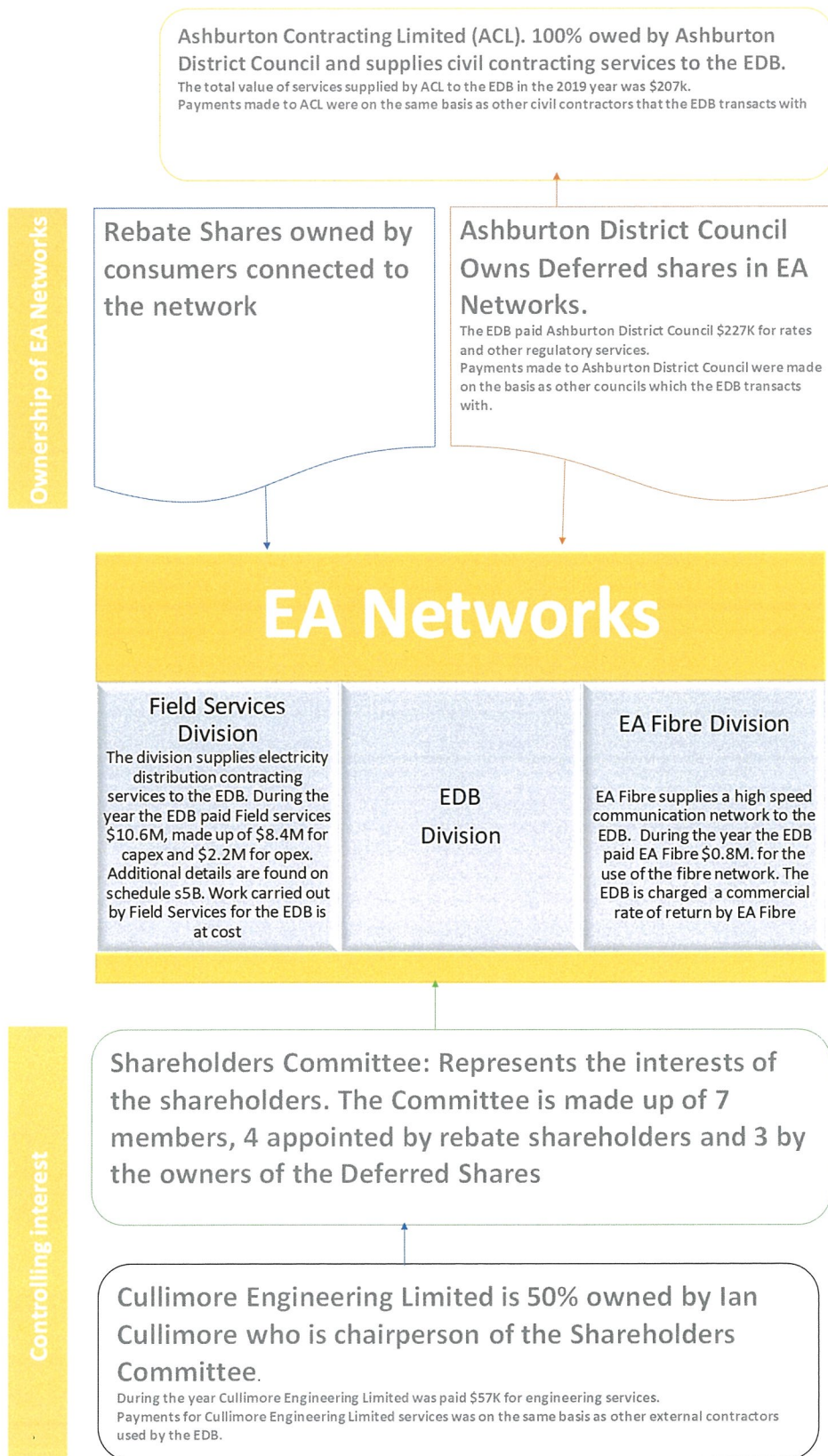
RELATED PARTY REQUIREMENTS OF THE

ELECTRICITY DISTRIBUTION INFORMATION DISCLOSURE DETERMINATION 2012 – CONSOLIDATED APRIL 2018.

For the year ended 31 March 2019.

Dated 28 August 2019

Requirement 2.3.8 (1) The relationships between the EDB and the related party



The above diagram identifies Ashburton Contracting Limited, Ashburton District Council, Cullimore Engineering, EA Fibre and EA Field Services as related parties.

Related party: Ashburton District Council

What is the relationship between EA Networks and Ashburton District Council?

Ashburton District Council (ADC) is a significant shareholder that holds 28,750,000 deferred shares and can appoint 3 members, out of 7 onto the shareholders committee of the Company.

The role of the Shareholders Committee and Shareholders Committee ability to control EA Networks

Section 16.22 of Electricity Ashburton Limited, trading as EA Networks, constitution stops the shareholders committee from directing or instructing the Board or Management to undertake any actions. The function of the Shareholders Committee shall be:

- To receive reports from the Board of EA Networks so that the Shareholders Committee can report to the shareholders as to whether or not the Board is meeting the reasonable expectations of the shareholders Committee in governing and controlling the Company.
- To appoint the Directors of the Company in accordance with the criteria established by the Shareholders Committee as reviewed and revised from time to time. The criteria established by the Shareholders Committee shall ensure that a balanced Board of Directors comprising people of high business acumen will be appointed as Directors of the Company. The criteria established by the Shareholder Committee will be available to all shareholders of the Company.

Section 19.9 of the constitution allows each member of the shareholders Committee to have one vote each. In the case of an equality of votes the chairperson shall have a second or casting vote.

ADC Share ownership

ADC owns 100 \$1.00 rebate shares in the EDB, which is consistent with all Consumers/Shareholders of EA Networks.

The deferred shares:

- hold no voting rights, unless EA Networks is subject to sale
- have no rights to any distribution unless the company is sold.

What is Ashburton District Council purpose?

The principal activities of the Ashburton District Council (ADC) are defined in section 10 of the Local Government Act 2002 as

The purpose of local government is –

- a. To enable democratic local decision-making and action by, and on behalf of, communities; and
- b. To promote social, economic, environmental, and cultural well-being of communities in the present and for the future.

Financial benefits ADC received as an owner of EA Networks

For the disclosure year ADC received no financial benefits due to its ownership interest in EA Networks.

As a consumer ADC received its share of the annual consumer discount, paid via ADC electricity retailer. The allocation of ADC share of the consumer discount was based on the same calculation that is used for every consumer connected to the electricity network.

Requirement 2.3.10: A summary of EA Networks current policy in respect of the procurement of assets or goods or services from any related party.

EA Networks Procurement Policies requires all related parties, excluding EA Fibre and EA Field services to tender for work as if they are an independent contractor who are not related to the EDB.

In practice most of the services EA Networks purchases off ADC are supplied by ADC in accordance with the Local Government Act 2002. This Act requires the ADC to set their charges annually.

Requirement 2.3.12 (1) A description of how the EDB applies its current policy for the procurement of assets or goods or services from a related party in practice.

All commercial transactions are undertaken as if ADC has no ownership interest in the EDB.

Requirement 2.3.12 (2). A description of any policies or procedures of the EDB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the electricity distribution services

The EDB has no policies or procedures requiring a consumer to purchase assets or goods or services from ADC.

Requirement 2.3.12 (3) subject to subclause (5), at least one representative example transaction from the disclosure year of how the current policy for the procurement of assets or goods or services from a related party is applied in practice.

EA Networks received a rate demand for installment 1 of 4 in July 2018. The payment was authorised by the CFO and paid on the 20 July 2018.

Requirement 2.3.12 (4) for each representative example transaction specified in accordance with subclause (3), how and when the EDB last tested the arm's-length terms of those transactions.

The Local Body Act 2002 allows councils to strike rates. The Act set out how rates must be struck and applied to owners of property. By ADC complying with this Local Body Act the arm's-length requirement have been meet.

Requirement 2.3.12 (5) separate representative example transactions where the EDB has applied the current policy for the procurement of assets or goods or services from a related party significantly differently between expenditure categories.

Materially the Procurement Policy has been applied consistently between expenditure categories.

Related Party Ashburton Contracting Limited

How Ashburton Contracting is related

Ashburton Contracting Limited (ACL) is 100% owned by Ashburton District Council.

In line with all Shareholders/Consumers of EA Networks ACL owns 100 \$1.00 rebate shares.

Ability to control

ACL has no ability to appoint members onto the Shareholders Committees or Direct Management, Board Members or the Shareholder Committee to undertake any activity solely due to ACL being a subsidiary of ADC.

Financial return to ACL from the EDB

For the disclosure year ACL received no financial benefits due to its ownership interest in EA Networks.

As a consumer ACL received its share of the annual consumer discount, paid via ACL electricity retailer. The allocation of ACL share of the consumer discount was based on the same calculation that is used for every consumer connected to the electricity network.

What the function of ACL is

ACL's website states its principal activities are in civil contracting and construction; drainage and plumbing services; geotechnical drilling; quarry and landscaping supplies; ready mix concrete; rural contracting; surfacing; utility management; and workshop services.

Requirement 2.3.10 A summary of EA Networks current policy in respect of the procurement of assets or goods or services from any related party.

ACL supplies fill for trenching and civil contracting services to Field Services. Civil work awarded to ACL is based on the non-minor works contracts section of the procurement policy which requires:

For electricity contracting and maintenance work, over \$50k, the work will be tendered out. Evaluation of tenders will be based on the attributes set out in the tender documents and taking into consideration the Health and Safety track record of tenders and ability of the contractor to perform the required work within the stipulated timeframe.

Purchasing of fill and other related products from ACL is carried out as if ACL is an independent contractor who is not related to the EDB. EA Networks Procurement Policy requires purchasing from a local company when economically sensible to do so.

Requirement 2.3.12 (1) A description of how the EDB applies its current policy for the procurement of assets or goods or services from a related party in practice.

Transactions with ACL are undertaken as if there was no ownership relationship between the EDB and ACL.

Requirement 2.3.12 (2). A description of any policies or procedures of the EDB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the electricity distribution services.

The EDB has no policies or procedures requiring a consumer to purchase assets or goods or services from ACL.

Requirement 2.3.12 (3) subject to subclause (5), at least one representative example transaction from the disclosure year of how the current policy for the procurement of assets or goods or services from a related party is applied in practice.

On the 4 February 2019, two purchases of Q0Crusher Dust – Barmac was made for an undergrounding of the network at Dobson Street, Ashburton. An additional purchase of Q-Soil Screened was made on 1 February 2019 for the same Dobson Street job. ACL invoiced the material purchased on invoice 332450. This invoice was approved for payment by the underground manager at EA Networks Field Services and coded to the underground job. The invoice was paid on 20 February 2019.

Requirement 2.3.12 (4) for each representative example transaction specified in accordance with subclause (3), how and when the EDB last tested the arm's-length terms of those transactions.

We have not tested the arm's length transaction requirement due to:

- The low value items purchased from ACL is seen as immaterial.
- ACL has no control or ability to influence EA Networks management, directors and members of the shareholders committee outside of any contractor transacting with EA Networks.
- Any financial benefit that ACL receives from EA Networks is limited that which any external contractor interacting with EA Networks would receive or any holder of rebate shares.
- EA Networks receives no better benefits transacting with ACL than it receives transacting with any contractor.
- EA Networks have no access to the financial records of ACL to test for the arm's-length requirements.

Requirement 2.3.12 (5) separate representative example transactions where the EDB has applied the current policy for the procurement of assets or goods or services from a related party significantly differently between expenditure categories.

There were no significant differences between expenditure categories.

Related Party Cullimore Engineering

Relationship with EA Networks

Cullimore Engineering Limited is 50% owned by Ian Cullimore who is the chairperson of the EA Networks Shareholders Committee.

Principal activity

The company's principal activities are stated on its website as offering a comprehensive range of engineering services. From product development through to CNC machining and custom dairy solutions.

Ability to control

The ability for Ian Cullimore to control or benefit as chair of the Shareholders Committee is explained under the ACL section of this report.

Financial returns

As a consumer Cullimore Engineering received its share of the annual consumer discount, paid via their electricity retailer. The allocation of Cullimore Engineering share of the consumer discount was based on the same calculation that is used for every consumer connected to the electricity network.

Requirement 2.3.10 A summary of EA Networks current policy in respect of the procurement of assets or goods or services from any related party.

The full and fair opportunity section of the procurement policy applies to purchases from Cullimore Engineering, as set out below:

Wording of the Full and Fair Opportunity section of the procurement policy

EA Networks promotes open and effective competition in the marketplace, and provide full and fair opportunity to New Zealand suppliers. To this end:

- Potential suppliers must not be unreasonably denied the opportunity to bid for EA Networks business.
- All bids received must be evaluated and selected in a fair and unbiased manner.

Due to EA Networks co-operative status and local ownership preference will always go to local business if they are competitive in price, quality, service and other attributes that any tender is being evaluated on.

EA Networks procurement policy also requires that all commercial transactions with Cullimore Engineering are undertaken as if there was no relationship between the two entities.

Requirement 2.3.12 (1) A description of how the EDB applies its current policy for the procurement of assets or goods or services from a related party in practice.

An authorized staff member identifies that Cullimore Engineering is the best supplier to undertake the required task. A purchase order is created; Cullimore Engineering manufactures the required product; an invoice will be sent to EA Networks which will be checked and authorised for payment. Payment will be made on the 20th. This process is consistent with other suppliers.

Requirement 2.3.12 (2). A description of any policies or procedures of the EDB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the electricity distribution services.

The EDB has no policies or procedures requiring a consumer to purchase assets or goods or services from Cullimore Engineering.

Requirement 2.3.12 (3) subject to subclause (5), at least one representative example transaction from the disclosure year of how the current policy for the procurement of assets or goods or services from a related party is applied in practice.

Technical Services identifies that Cullimore Engineering is the best supplier of the required item. Purchase order 051120 was created to purchase from Cullimore Engineering of 1 * 6mm O'Ring on the 31st of July 2018. After sending EA Networks the O'Ring Cullimore Engineering send EA Networks invoice 23319 on 31 July 2018. This invoice was approved for payment by Technical Services and paid on the 20 August 2018.

Requirement 2.3.12 (4) for each representative example transaction specified in accordance with subclause (3), how and when the EDB last tested the arm's-length terms of those transactions.

We have not tested the arm's length transaction requirement due to:

The low value items purchased from Cullimore Engineering is seen as immaterial.

- Section 16.22 of EA Networks constitution stops Ian Cullimore Directing Directors and Management of EA Networks to transact with him.
- Any financial benefit that Cullimore receives from EA Networks is limited that which any external contractor interacting with EA Networks would receive or any holder of rebate shares.
- EA Networks receives no better benefits transacting with Cullimore Engineering than it receives transacting with any contractor.
- EA Networks have no access to the financial records of Cullimore Engineering to test for the arm's-length requirements.

Requirement 2.3.12 (5) separate representative example transactions where the EDB has applied the current policy for the procurement of assets or goods or services from a related party significantly differently between expenditure categories.

There were no significant differences between expenditure categories.

Related party EA Fibre

Due to its coverage EA Fibre is the preferred supplier of high-speed communications to the EDB. As EA Fibre is required to stand on its own feet, the EDB is charged for its services at a commercial rate. Currently there are no other high-speed communication networks which can supply the same level of services as EA Fibre supplies the EDB.

Requirement 2.3.10 A summary of EA Networks current policy in respect of the procurement of assets or goods or services from any related party.

EA Networks procurement policy allows high speed communication services to be purchase from anyone able to supply the required service. Currently there is only one supplier of rural fibre services within the EDB network area. The supplier is EA Fibre.

Requirement 2.3.12 (1) A description of how the EDB applies its current policy for the procurement of assets or goods or services from a related party in practice.

At the time of installing the fibre network, and is still the case, EA Fibre is only the supplier able to supply the required service. This means that EA Fibre is the agreed supplier for the high speed communication network. Consistent with 'large users' of the fibre network the EDB has been charged a daily fee. The fee charged has been calculated using the same principles as another large user on the network.

Requirement 2.3.12 (2). A description of any policies or procedures of the EDB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the electricity distribution services.

The EDB has no policies or procedures requiring a consumer to purchase assets or goods or services from EA Fibre.

Requirement 2.3.12 (3) subject to subclause (5), at least one representative example transaction from the disclosure year of how the current policy for the procurement of assets or goods or services from a related party is applied in practice.

As part of the annual budget setting process, the fee which the Fibre Business charges the EDB is set, using pricing principles consistent with another large user. When the Board approves the budget the EDB Fibre fee is approved. Each month the EDB was charged 1/12 of the annual fibre fee.

Requirement 2.3.12 (4) for each representative example transaction specified in accordance with subclause (3), how and when the EDB last tested the arm's-length terms of those transactions.

There is no other rural supplier of a high speed fibre networks servicing the Ashburton District to test EDB fibre charges against. As a proxy for realistic commercial return we examined, in 2019, how another large consumer on the fibre Network's charge was determined and applied the same pricing principles against the EDB charge. The calculation of the EDB and other large users charges are consistent.

Requirement 2.3.12 (5) separate representative example transactions where the EDB has applied the current policy for the procurement of assets or goods or services from a related party significantly differently between expenditure categories.

There were no significant differences between expenditure categories.

Related party Field Services

In formulating our procurement policy, we have considered our geographical location, supply standard required by our consumers and access to critical services during a network emergency. Having considered these key elements we have formed the view that an inhouse contracting services (Field Services) best meet the needs of our consumers/shareholders. Field Services has been sized to meet the daily and emergency requirements of the network, in a cost-effective manner. To this end work undertaken by Field Services is at cost.

Field Services supplies underground, overhead and technical services to the EDB

- The underground department install and maintains electricity distribution network asset located underground.
- The overhead department install and maintains electricity distribution network assets located above ground.
- Technical services undertake work associated with zone substations, protection and transformers.

Requirement 2.3.10 A summary of EA Networks current policy in respect of the procurement of assets or goods or services from any related party.

Our procurement policy requires that overhead, underground and substation work is undertaken by Field Services. If Field Services are unable to complete the work in question it is tendered out.

Work tendered out falls into one of two categories:

Minor works contract

For construction and maintenance work under \$50k, associated with electricity and fibre distribution assets a minor tender rate card will be used. One or more contractors may appear on the minor tender rate card, which will be re-tendered every 18 months. Awarding of the minor works to a contractor will be determined on price, ability to meet forecast requirements, and work history of the contractor.

Non-minor works contract

For electricity contracting and maintenance work over \$50k, the work will be tendered out. Evaluation of tenders will be based on the attributes set out in the tender documents and taking into consideration the Health and Safety track record of tenders and ability of the contractor to perform the required work within the stipulated timeframe

Requirement 2.3.12 (1) A description of how the EDB applies its current policy for the procurement of assets or goods or services from a related party in practice.

All contracting work that Field Services can perform is discussed between Field Services and the EDB to identify the resources required to undertake the work. Where Field Services lack the required resources, the work is awarded under the minor works contract or tendered out.

Requirement 2.3.12 (2). A description of any policies or procedures of the EDB that require or have the effect of requiring a consumer to purchase assets or goods or services from a related party that are related to the supply of the electricity distribution services.

EA Networks has no policies requiring consumer to purchase services from a related party.

Our capital contribution policy requires consumers to contribute to assets which EA Networks own. The customer is free to choose who undertakes any work on their property, provided that the person/entity undertaking the work is qualified to do so.

Consumers required to undertake tree work to protect the network, are free to choose from an approved contractor list.

Our notices to consumers notifying them of work required on their privately-owned networks, state that they are free to choose who undertakes the work.

Requirement 2.3.12 (3) subject to subclause (5), at least one representative example transaction from the disclosure year of how the current policy for the procurement of assets or goods or services from a related party is applied in practice.

A construction project that requires tendering out

Field Services – Project requiring a sub-contactor

Project 11466 “2017-2018 Urban OHUG Conv – Tancred Street”

1. This project was designed by the EDB. This designed details the scope of work to be undertaken for project 11466.
2. The Underground Manager created a number of work order instructing Field Services to undertake the required scope of work, as shown below.

| <input type="checkbox"/> | Work Order | Work Order Description | Work Order Stage | Work Order Narration | Activity Code | Activity Description |
|--------------------------|------------------------|------------------------|----------------------|---|---------------|-----------------------------|
| <input type="checkbox"/> | 636339 | Tancred Street U... | Financially Compl... | Tancred St - William St to Cambridge St::Scheduled Cap... | RENEWAL | Elect Capital Asset Renewal |
| <input type="checkbox"/> | 636341 | Tancred St Ashb... | Financially Compl... | Tancred St - William St to Cambridge St::Scheduled Cap... | RENEWAL | Elect Capital Asset Renewal |
| <input type="checkbox"/> | 636346 | Chalmers Ave As... | Financially Compl... | Chalmers Ave - Beach Rd to Wellington St::Scheduled C... | RENEWAL | Elect Capital Asset Renewal |
| <input type="checkbox"/> | 636349 | Chalmers Ave As... | Financially Compl... | Chalmers Ave - Beach Rd to Wellington St::Scheduled C... | RENEWAL | Elect Capital Asset Renewal |
| <input type="checkbox"/> | 644192 | Complete OHUG ... | Financially Compl... | William St to Cambridge St Ash::Network Scheduled Cap... | RENEWAL | Elect Capital Asset Renewal |

3. Field services received the project from the EDB. Field Services General Manager and the Field Services Underground Manager identified that the project required a level of trenching which was outside their abilities.
4. Management of Field Services estimated that the required trenching was above the maximum value allowed under minor contracts and tendered the work using NZ/A33910 as the basis.
5. After the tendering period was closed, the tenders were opened by the Tender Committee and evaluated based on the criteria set out in the tendering document and awarded to the successful contractor.
6. Field services undertook the balance of the required work, which was to install and commission the cable. Labour and plant costs associated with the project was booked to each task as they were incurred. Stock used by Field Services was booked out of the network store and onto the job as required.
7. At the end of each milestone the successful tender send EA Networks claims for work completed. For example: Invoice 2386, which was sent on EA Field Services on 28 May 2018 and paid in June 2018 under the terms of the contract.
8. At the completion of the project the transactions associated with the project were sent to the Underground Manager who reviewed them and approved the cost of the project.

Requirement 2.3.12 (4) for each representative example transaction specified in accordance with subclause (3), how and when the EDB last tested the arm's-length terms of those transactions.

Work undertaken by Field Services for the EDB is carried out at cost, with no internal profit being created.

How and when we have tested the arm's length terms:

Our budgeting process sets a rate card for field services work, which recovers their operating costs only. At the end of the year we reviewed internal work carried out by Field Services and determined that no profit was created from work undertaken for the EDB. During the year-end financial audit our auditors reviewed our internal profit calculation and confirmed that no material internal profit was created from internal transactions associated with Field Services.

The rate charged by Field Services for external work is calculated as the internal charge out rate + required markup rate for the job in question. This demonstrates that work charged to external parties incurs the same costs as work carried out for the EDB by Field Services.

In 2019 we tested the charge out rates of Field Services against other contractors which we had engaged. The results found that Field Services charge out rates were lower than the independent contractor.

As our testing of Field Services charge out rates with another contractor demonstrates, the price which Field Services charges the EDB is fair and reasonable.

Requirement 2.3.12 (5) separate representative example transactions where the EDB has applied the current policy for the procurement of assets or goods or services from a related party significantly differently between expenditure categories.

There were no significant differences between expenditure categories.

Procurement Policy

| | |
|------------------------|------------------|
| Owner | Mark Lester, CFO |
| Issued | August 2018 |
| Next Annual Review Due | August 2020 |

This policy covers all goods and services supplied to EA Networks.

Purpose of the policy

This policy outlines the approach EA Networks takes to planning, sourcing and managing its procurement. Any departure from this policy must first be approved by CEO.

This policy does not apply to employment contracts.

What is Procurement?

Procurement covers all business processes associated with purchasing goods/services/works that are used to run and meet the objectives of EA Networks. It starts with identifying needs, then planning the best way to meet them; continues through sourcing the goods/services/works then managing the contract; and ends with expiry of either the contract or the asset's useful life.

Governing Procurement Principles that EA Networks operate under

The objectives of the procurement process are to:

- Plan and manage for the best results.
- Be fair to all suppliers.
- Get the right supplier.
- Get the best deal for everyone.
- Play by the rules.

Responsibilities of staff

- Procurement activity must be conducted in a manner ensuring EA Networks maintains a reputation of being fair, transparent and unbiased towards suppliers and evidenced through sound and robust record keeping.
- Representatives of EA Networks involved in procurement must be mindful of the fact that EA Networks is subject to and should comply with legislation.
- Representatives of EA Networks involved in procurement must declare any perceived or actual conflicts of interest to the CFO as soon as practicable.
- Representatives of EA Networks involved in procurement must respect the confidentiality of information they are exposed to during their work and must not disclose this information to third-parties. Furthermore, this information must not be used for personal gain.
- Representatives of EA Networks involved in procurement should not accept gifts or hospitality from suppliers, other than items of a minor value (under \$100). It should be noted that where staff are involved in a tender process, it is not acceptable to accept any gifts or hospitality from a tenderer, regardless of its value, until the tender process is completed.
- Any personal benefits that might be gained from accepting a tender are to be well documented and signed off by the CEO prior to the tender being accepted.
- The house rules identify the required behavioral standards for employees in all areas of their work.

Sustainability in Procurement

Sustainability is about meeting the needs of today without compromising the ability of future generations to meet their requirements. Social, environmental and economic context all impact on sustainability. Sustainable procurement means that when buying goods/services EA Networks will consider:

- Strategies to avoid unnecessary consumption and manage demand.
- Minimising environmental impacts of the goods/services over the whole-of-life.
- Suppliers' socially responsible practices including compliance with legislative obligations to employees.
- Value for money over the whole-of-life, rather than just the initial cost.

Health and Safety in Procurement

The Health and Safety in Employment Act has a statutory requirement to complete a hazard assessment for any new or modified equipment, material, service or new work process. This obligation also extends to ensuring public safety.

Managers and staff who are required to undertake procurement need to ensure public and employee health and safety is included in procurement decisions.

Whole of life approach

Procurement decisions are to be based on a whole of life approach, which incorporates all aspects of ownership use and decommission of the item in question.

Procurement risks

EA Networks must identify potential and actual risks relating to each procurement process prior to its commencement. Steps to mitigate risks should be taken wherever possible. Risks could include but not be limited to:

- A business risk to EA Networks.
- A legal risk to EA Networks.
- A public and employee health and safety risk.

EA Networks risk framework should be used, where necessary. This framework assesses the likelihood and impact and enables the development of appropriate mitigations plans. Depending on the nature of the procurement, this risk may also need to be identified on the risk register.

Full and Fair Opportunity

EA Networks promotes open and effective competition in the market place, and provide full and fair opportunity to New Zealand suppliers. To this end:

- Potential suppliers must not be unreasonably denied the opportunity to bid for EA Networks business.
- All bids received must be evaluated and selected in a fair and unbiased manner.

Due to EA Networks co-operative status and local ownership. Preference will always go to local business if they are complete in price, quality, service and other attributes that any tender is being evaluated on.

Preferred supplier

For the construction and maintenance of electricity and fibre distribution assets, Field Services are the preferred supplier. When Field services is unable to carry out the work the task in question will be tendered out as follow:

Minor works contract

For construction and maintenance work, under \$50k, associated with electricity and fibre distribution assets a minor tender rate card will be used. One or more contractors may appear on the minor tender rate card, which will be re-tendered every 18 months. Awarding of the minor works contractors will be determined on price, ability to meet forecasted requirements, and work history of the contactor.

Non-minor works contracts

For electricity and fibre contracting and maintenance work, over \$50k, the work will be tendered out. Evaluation of tenders will be based on the attributes set out in the tender documents and taking into consideration the Health and Safety track record of tenders and ability of the contractor to perform the required work within the stipulated timeframe.

Evaluation of tenders

A suitably qualified tender committee will be used. The make-up of the committee will be determined by the work being tendered. All large tenders will be reviewed by lawyer

Non-network and fibre tenders.

Items falling within this category are non-business as usual activities, such as the purchase of inventory and the use of business as usual consultants. Tendering for these items will be in accordance with the requirements of the delegated authority policy.

Inventory items

Items held in stock will reflect the needs of the electricity, fibre and field services divisions of EA Networks. Before any new stock items is purchased it will be evaluated for fitness of purpose by the department(s) which will be using the items. The results of the evaluation will be reviewed by the Health and Safety team to ensure compliance with legislation.

While the store is primarily owned by the electricity division and managed by the store manager, all Department Managers can request items to be held as inventory. The store manager will not unreasonable decline Department Managers request.

Emergency Procurement

In a genuine emergency, Management may be permitted to forego routine procurement procedures for goods or services that are urgently required to provide emergency assistance or relief.

Emergency procurement is to be used in genuinely unforeseen circumstances only and not in the case of poor planning or avoiding EA Networks policies or guidelines.

In the context of this policy an emergency is defined as an event which puts:

- Life, property or equipment at immediate risk; or
- Standards of public health, welfare or safety having to be re-established without delay, such as in the case of disaster relief; or
- EA Networks ability to meet service delivery targets at significantly risk.

Emergency procurement should be limited to what is required to cope with the emergency and should be carried out with the same due diligence and robustness as standard procurement activity.

EDB Procurement from related parties

The section of the policy is written for compliance with section 2.3.10 of the Commerce Commission information disclosure requirements. Which require the EDB to provide a summary of it's current policy in respect of procurement from any related party.

Summary

FIBRE SERVICES

EA Fibre is the EDB preferred supplier of fibre services to network assets. The fibre business unit will charge the EDB a commercial rate of return.

FIELD SERVICES

The EDB will engage EA Field Services as its principle contractor for work it is equipped to undertake. Work carried out by the Field Services for the EDB will be at cost. When Field services is unable to perform the EDB required work, the required work will be contracted out to a third party, in accordance with procurement policy.

OTHER RELATED PARTIES

All related parties, excluding EA fibre and EA Field services, will be required to tender for work as if they are independent contractor who is not related to the EDB.

Map of Anticipated Network Expenditure and Network Constraints

As required by sections 2.3.13 - 2.3.16 the following text details the projects/programmes that represent the largest forecast operational and capital expenditure and the network/equipment constraints that could be addressed by the projects/programmes.

The map is intended to be used in digital form and contains layers that relate to some of the items detailed below. In paper printed form, the map will be very difficult to interpret.

10 Largest (by Value) Operational Projects/Programmes

| ID | Name | Description | Timing | Average Value (\$) | Location |
|----|--|--|-----------|--------------------|---------------------------------------|
| OA | Inspecting, Organising and Trimming Trees | The inspection of trees, the liaison with tree owners and the subsequent trimming or felling of trees which are considered be a risk to the electricity network. | 2020-2029 | 365k p.a. | All Line Locations (Map inset) |
| OB | ZSS Asset Inspection, Testing & Minor Maintenance | The inspection of zone substation assets, routine testing of those assets, and minor maintenance that arises as an immediate result of those inspections and tests. | 2020-2029 | 329k p.a. | <u>Zone Substations</u> Layer |
| OC | Overhead Inspection, Testing and Minor Maintenance | The inspection, testing and minor maintenance of overhead line assets of all voltages. | 2020-2029 | 263k p.a. | All OH Line Locations (Map inset) |
| OD | DSS & D Switchgear Planned Maintenance | The planned maintenance of all types of distribution substations and distribution switchgear. Includes ring main units, pole-mounted switches and circuit-breakers, kiosks, and LV switchgear within the kiosks. | 2020-2029 | 235k p.a. | All Distribution Substation Locations |
| OE | Overhead Planned Repairs & Maintenance | Scheduled maintenance of overhead line assets of all voltages. Generally, a consequence of inspections revealing an issue more widespread than a single structure. Work is normally planned the prior year. | 2020-2029 | 191k p.a. | All OH Line Locations (Map inset) |
| OF | Distribution Transformer Refurbishment | When distribution transformers are recovered from service for whatever reason they are inspected and where necessary refurbished to allow continued service at another substation. | 2020-2029 | 158k p.a. | <u>EA Networks HQ</u> Layer |

| | | | | | |
|----|---|--|-----------|-----------|-------------------------------|
| OG | D Substation and D Transformer Inspection, Testing and Minor Maintenance | The inspection of distribution substation and distribution transformer assets, routine testing of those assets, and minor maintenance that arises because of those inspections and tests. | 2020-2029 | 152k p.a. | Substations & Workshop |
| OH | Ancillary Asset Planned Repairs & Maintenance | Networks assets that are not readily associated with the other major asset groupings (OH, UG, DSS, ZSS) are in this programme. Among other assets, radio systems, data communications and SCADA are accounted for in this category. | 2020-2029 | 149k p.a. | All Locations |
| OI | ZSS Asset Planned Repairs & Maintenance | Scheduled maintenance of assets within the zone substations. Generally, a consequence of inspections revealing an issue that is not readily resolved during the inspection process and requires additional parts or resources to complete. | 2020-2029 | 129k p.a. | <u>Zone Substations</u> Layer |
| OJ | 22/11kV/LV OH Removal - Following UG Conversion | Once an underground conversion project has been completed the end-of-life overhead line is removed. Generally urban locations, but some sections of rural highways are likely to be converted to underground reticulation. | 2020-2026 | 93k p.a. | Mostly Urban Locations |

Few of the items described above have specific locations that can be readily mapped. Zone substations (OB, OI) are shown explicitly on the map and are on their own layer (as are the zone substation names).

The operational expenditure projects/programmes identified above:

| <u>Status</u> | <u>Situation</u> |
|----------------|---|
| Are not | already subject to a contract. |
| Are | forecast to require the supply of assets or goods or services by a related party. |
| Are | currently indicated for supply by a related party. |

10 Largest (by Value) Capital Projects/Programmes

| ID | Name | Description | Timing | Average Value (\$k) | Location |
|----|-------------------------------------|---|-----------|---------------------|----------------------------------|
| CA | Consumer Connection | The addition or modification of assets of all voltages that relate to connecting new or increased loads to the electricity network. This can be the addition of a fuse to a pillar box or the construction of significant 11kV or 22kV assets to service a large industrial load. These loads appear without advance notice on most occasions. | 2020-2029 | 3,140k p.a. | All Locations |
| CB | Urban Underground Conversion | As overhead lines in urban areas reach the end of their useful life, the network is replaced with underground cabling and ground-mounted substations. Multiple projects per year are completed and, on average, sum to the amount identified. This programme of work is due for completion in 2026. | 2020-2026 | 2,755k p.a. | Urban Areas Identified on Map |
| CC | New/Smart Technologies | The need to gather additional information on the electrical network and then provide assets that can react to compensate for rapid changes in load or power flow direction are covered by this programme. The initial phases allow for ICP-level metering, control, and communication. This will permit the network to dynamically interact with loads and generators to ensure a stable supply to all consumers. Additional assets, such as control software, batteries and dynamic VAR compensation are allowed for in later phases of the programme. | 2022-2029 | 1,985k p.a. | All Locations |
| CD | Unscheduled Projects | This programme of work is to accommodate the unexpected or unscheduled projects that occur when additional information about condition or constraints becomes known. The largest component of this value is the overhead line rebuilds beyond 2022. The likely rebuild candidates have been grouped but not scheduled at this stage. | 2020-2029 | 1,621k p.a. | Predominantly Rural |
| CE | Overhead Line Rebuild | Known, condition-based overhead line rebuilds of all voltages are included in this category. There is a pool of lines that are becoming candidates for rebuilding (post 2022) but they are yet to be scheduled and therefore not in this category (they are in the CD category above). | 2020-2029 | 1,461k p.a. | Rural Line Locations (Map inset) |

| | | | | | |
|----|------------------------------------|---|-----------|-------------|---|
| CF | Distribution Transformers | New distribution transformers are required for new or increased load and conversion from 11kV to 22kV. The 11 to 22kV conversion work forms a significant proportion of this value and after 2028 will decline significantly. | 2020-2029 | 1,094k p.a. | All Locations |
| CG | General Rural | This programme includes upgrades to existing assets as well as new assets that are not driven by condition or consumer connection needs. Examples are earthing upgrades, fitting conductor dampers, reconductoring to increase capacity, and new 66kV OH lines between zone substations. | 2020-2029 | 1,058k p.a. | Rural |
| CH | General ZSS | Any new or upgraded assets within zone substations are included in this programme. Most of the value in this programme is towards the end of the AMP period and is therefore less certain to proceed – driven by load growth. | 2020-2029 | 862k p.a. | <u>Zone Substations</u> Layer |
| CI | Ashburton 11kV Core Network | This programme is for additional reliability, resilience, capacity and security within the Ashburton township urban area. It consists of a series of high capacity 11kV circuits interconnecting zone substations with network centres (circuit-breaker switchboards) which have multiple feeders radiating from them. The goal is to reduce ICP count per feeder circuit-breaker to less than 250 while increasing network resilience to multiple failures. | 2020-2027 | 843k p.a. | Ashburton Township - <u>Core Network</u> Layers |
| CJ | 11 to 22kV Conversion | The migration of rural areas and townships to 22kV has proven to be very beneficial from the perspective of capacity (when limited by voltage drop it provides a fourfold increase for the same percentage voltage drop). This capacity increase allows much greater flexibility in supplying loads, back-feeding during faults and reducing the need for as many zone substations. The programme covers the necessary re-insulation work and the labour/plant to install 22kV transformers in place of 11kV units. | 2020-2028 | 363k p.a. | <u>11-22kV Conversion</u> Layer. Each colour represents one year of construction. |

Not all of the programmes have specific physical locations that can be readily shown on a map. Those programmes that can be located have been allocated a layer in the pdf document and this can be turned on and off to highlight the location(s) involved.

The capital expenditure projects/programmes identified above:

| <u>Status</u> | <u>Situation</u> |
|---------------|---|
| Are not | already subject to a contract. |
| Are | forecast to require the supply of assets or goods or services by a related party. |
| Are | currently indicated for supply by a related party. |

Network or Equipment Constraints Involving Large Operational and/or Capital Projects/Programmes

| ID | Name | Description | Project Response | Location |
|----|--------------------------------------|---|--------------------|---|
| 1 | Inter-Zone Substation Load Transfer | When operating the distribution network at 11kV, the ability to transfer load between zone substations (such as during a feeder fault near the start of a feeder) is limited by voltage drop in rural areas and cable capacity in urban areas. | CI and CJ | <u>11-22kV Conversion</u> Layer and <u>Core Network</u> Layers |
| 2 | Zone Substation Transformer Failure | The failure of a zone substation transformer will either interrupt supply or limit capacity to n-1 levels. Both situations require additional capacity from adjacent zone substations to supply the load that cannot be served from the zone substation with the failed transformer. The availability of an urban Ashburton core 11kV network and a 22kV rural network provide this facility while a spare transformer is installed. Some general zone substation work also provides either more transformation or an extra zone substation site (Montalto 66). | CI, CJ and CH | <u>11-22kV Conversion</u> Layer, <u>Core Network</u> Layers, and <u>Zone Substations</u> Layer. |
| 3 | Sub-transmission Circuit Failure | Loss of a single 66kV circuit will generally not result in loss of supply. It can however cause lower than ideal sub-transmission voltages and the ability to transfer load at 22kV or 11kV is beneficial. Loss of more than one 66kV circuit (or a single radial 33kV or 66kV circuit) will potentially cause loss of supply. These scenarios can be mitigated with additional inter-zone substation transfer capacity. | CI and CJ | <u>11-22kV Conversion</u> Layer and <u>Core Network</u> Layers |
| 4 | Civil Infrastructure Support Failure | During seismic and flooding events, the failure of civil infrastructure such as bridges and roads can cause failure of portions of the electrical network. Additional electrical network paths and capacity can help mitigate this to some degree. Well maintained or new assets also resist these forces better than older assets. | CB, CE, CI, and CJ | <u>11-22kV Conversion</u> Layer and <u>Core Network</u> Layers. Much of the rural area. |

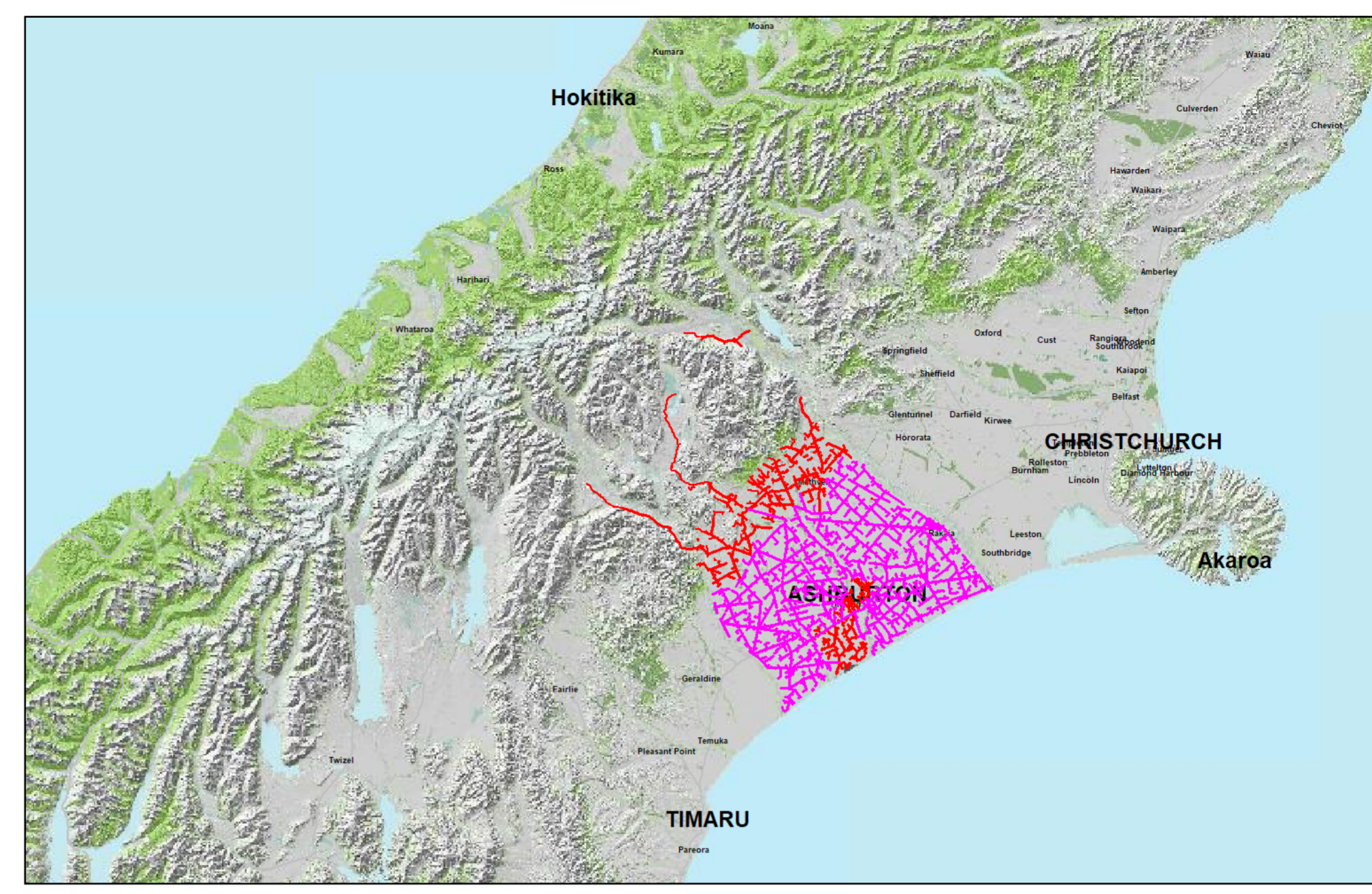
| | | | | |
|---|-------------------------------------|--|------------------------|---|
| 5 | Urban 11kV Capacity | The interconnected radial design of the existing Ashburton 11kV underground network is essentially a traditional overhead line configuration that has served well for several decades. The loading of a number of these circuits is close to reaching full capacity and during faults back-feeding can cause slight overload situations. The addition of a layer of larger 11kV cables that connect to network switching centres and interconnection to the rural 22kV network during 11kV cable faults provides both steady state and contingency capacity to alleviate these limitations. | CB, CI, and CJ | <u>Urban UG Conversion</u> Layer, <u>11-22kV Conversion</u> Layer and <u>Core Network</u> Layers. |
| 6 | Urban 11kV ICP Count/Feeder | The number of connections per urban 11kV feeder exceeds the limit set in the EA Networks security standard (some by a large amount). To reduce this to the required level, additional feeders are required so that for a single cable fault only a limited number of consumers experience the outage. Adding additional feeders to the zone substations would require excessive amounts of cabling to reach the ICPs as well as extensive zone substation rework. The alternative of large core network 11kV cables connected in closed rings via network centres (new switchboards with additional feeders within the urban network) is a high benefit/value practical solution and advantageous for other constraints as well. | CB and CI | <u>Urban UG Conversion</u> Layer and <u>Core Network</u> Layers. |
| 7 | GXP Firm Capacity Exceeded | If a time arises that demand on the Ashburton 220/66kV grid exit point exceeds the 220MVA firm capacity for an unacceptable length of time each year, then an additional GXP will be required. At this point in time, it seems to be less likely this will occur within the 10 year AMP planning period. There are projects included within the AMP (towards the end of the planning period) that address this potential eventuality. A second GXP comes with overall capacity benefits but does provide several technical and operational disadvantages that are not apparent with one GXP. | CG and CH | Predominantly Located in Rural Areas. Network-wide impacts. |
| 8 | Low Voltage Network Capacity | The addition of new or increased load or generation will cause the capacity of LV (low voltage) networks to be tested and in some cases exceeded. The location and timing of this new load on existing cables is unknown. To remedy this, additional LV cables and/or distribution substations will be required. Careful load management using demand management control devices will be able to assist in shifting some of the peak demand, but at some stage additional network assets will still be required. | CA, CB, CC, CD, and CF | Urban Areas. |

| | | | | |
|----|--|---|--------------|-------------------------------|
| 9 | Asset Condition - Potential Failure | <p>All assets deteriorate over time and it is critical to proactively manage the asset's condition to ensure it does not fail unexpectedly or catastrophically before it is removed from service at end-of-life. Prudent maintenance strategies ensure that inspections, testing, and either refurbishment or replacement occur in a timely and safe manner.</p> <p>All the operational expenditure programmes/projects identified above are in some way contributing to the safe and reliable operation of the electricity network – ensuring any failures that do occur are largely unforeseeable or uneconomical to completely mitigate against.</p> | OA-OJ and CD | All Locations - Network-wide. |
| 10 | Network Resilience | <p>In order to maintain and increase network resilience there must be both effective maintenance of existing assets to prevent failure in adverse conditions (such as the alpine fault rupturing) and improved/additional assets to assist in recovery from adverse events. All of the projects/programmes identified above contribute in large and small ways to increasing the resilience of the EA Networks electricity network. This ranges from more modern design standards for replacement poles to additional alternative network paths should the primary one be unavailable.</p> | OA-OJ, CA-CJ | All Locations - Network-wide. |










The constraints detailed above are either explicitly identified in the asset management plan or are alluded to in network development project/programme justifications.

Map of Anticipated Network Expenditure and Network Constraints

This Map is a pdf file with layers controlling what you see. It is intended that you pan and zoom around it to examine the information it contains. To turn on or off the individual layers you need a viewer that can control these. Adobe Acrobat Viewer can do this, as can PDF-XChange Editor. If you cannot see a way to turn a layer on or off, search for "Layer" in help. Printing this map to paper is not recommended, as it will be largely illegible.



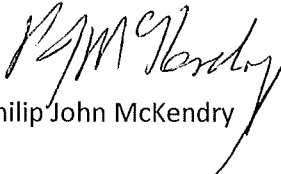
Inset showing EA Networks' location and 22kV (magenta) and 11kV (red) distribution network.

- LEGEND**
-  Coloured polygons are annual 22kV conversion areas.
 -  The large light pink area is existing 22kV distribution network.
 -  Blue lines represent the sub-transmission network.
 -  The dotted blue line is a possible future sub-transmission circuit.
 -  Orange dots represent zone substation locations.
 -  Red lines represent urban overhead lines to be converted to underground cables.
 -  Green lines represent urban core network 11kV cables.
 -  Green dots represent urban core network switching centers.
 -  Grey lines are roads.

Schedule 18 Certification for Year-end Disclosures

We, Philip John McKendry and Andrew David Barlass, being directors of Electricity Ashburton Limited t/a EA Networks certify that, having made all reasonable enquiry, to the best of our knowledge-

- a) the information prepared for the purposes of clauses 2.3.1, 2.3.2, 2.4.21, 2.4.22, 2.5.1, 2.5.2, and 2.7.1 of the Electricity Distribution Information Disclosure Determination 2012 in all material respects complies with that determination; and
- b) the historical information used in the preparation of Schedules 8, 9a, 9b, 9c, 9d, 9e, 10, and 14 has been properly extracted from the EA Network's accounting and other records sourced from its financial and non-financial systems, and that sufficient appropriate records have been retained [and if not, what records and systems were used].
- c) In respect of information concerning assets, costs and revenues valued or disclosed in accordance with clause 2.3.6 of the Electricity Distribution Information Disclosure Determination 2012 and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012, we are satisfied that- i. the costs and values of assets or goods or services acquired from a related party comply, in all material respects, with clauses 2.3.6(1) and 2.3.6(3) of the Electricity Distribution Information Disclosure Determination 2012 and clauses 2.2.11(1)(g) and 2.2.11(5)(a)-2.2.11(5)(b) of the Electricity Distribution Services Input Methodologies Determination 2012; and ii. the value of assets or goods or services sold or supplied to a related party comply, in all material respects, with clause 2.3.6(2) of the Electricity Distribution Information Disclosure Determination 2012.


Philip John McKendry


Andrew David Barlass

28 August 2019



Independent Auditor's Report

To the Directors of Electricity Ashburton Limited and the Commerce Commission

Assurance Report Pursuant to Electricity Distribution Information Disclosure Determination 2012

We have completed our reasonable assurance engagement in respect of the compliance of Electricity Ashburton Limited (trading as EA Networks) (the 'Company') with the Electricity Distribution Disclosure Information Determination 2012 (the 'Information Disclosure Determination') for the disclosure year ended 31 March 2019 where we are required to opine on:

- whether the Company has complied, in all material respects, with the Information Disclosure Determination, in preparing the information disclosed under schedules 1 to 4, 5a to 5g, 6a and 6b, 7, the related party transactions information disclosed in Appendix A, and the explanatory notes disclosed in boxes 1 to 11 in Schedule 14 ('the Disclosure Information'); and
- whether the Company's basis for valuation of related party transactions ('valuation of related party transactions'), has complied, in all material respects, with clause 2.3.6 of the Information Disclosure Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 ('the Input Methodologies Determination').

Opinion

In our opinion:

- As far as appears from our examination, proper records have been kept by the Company to enable the complete and accurate compilation of the Disclosure Information;
- The information used in the preparation of the Disclosure Information has been properly extracted from the Company's accounting and other records and has been sourced where appropriate, from the Company's financial and non-financial systems;
- The Company has complied, in all material respects, with the Information Disclosure Determination in preparing the Disclosure Information; and
- The basis for valuation of related-party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

Basis for Opinion

We conducted our engagement in accordance with ISAE (NZ) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and SAE 3100 (Revised) *Compliance Engagements* to obtain reasonable assurance that the Company has complied in all material respects with the Determination in the preparation of the Schedules for the year ended 31 March 2019.

In forming our opinion we have obtained sufficient recorded evidence and all the information and explanations we have required.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.



We are independent of the Company. Our firm carries out other services for the Company in the areas of compliance with regulatory requirements of the Commerce Act 1986, tax pooling, Directors' fee benchmarking and the provision of regulatory update advisory services. The provision of these other services has not impaired our independence as auditor of the Company.

Our audit approach

Overview



Our assurance engagement is designed to obtain reasonable assurance about the Company's qualitative and quantitative compliance, in all material respects, with the Determination.

Quantitative materiality levels are determined for individual schedules included in the Disclosure Information based on the nature of the information set out in the schedules.

Profit based schedules –5% of Regulatory profit before tax
Asset based schedules –1% of Regulatory asset base
Performance based schedules – 5% of non-financial measures
Related party transactions – 2% of total related party transactions. Qualitative factors were also considered when assessing the arm's length valuation rules on related party transactions.

We have determined that there are three key assurance matters:

- Regulatory Asset Base
- Cost and Asset Allocation
- Related Party Transactions

Materiality

The scope of our assurance engagement was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our assurance engagement, the nature, timing and extent of our assurance procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Disclosure Information as a whole.

Scope

Our procedures included analytical procedures, evaluating the appropriateness of assumptions used and whether they have been consistently applied, agreement of the Disclosure Information to, or reconciling with, source systems and underlying records, an assessment of the significant judgements made by the Company in the preparation of the Disclosure Information and valuing the related party transactions, and evaluation of the overall adequacy of the presentation of supporting information and explanations. These procedures have been undertaken to form an opinion as to whether the Company has complied, in all material respects, with the Information Disclosure Determination in the preparation of the Disclosure Information for the year ended 31 March 2019, and whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.



Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement were of most significance in carrying out the assurance engagement during the current disclosure year. These matters were addressed in the context of our assurance engagement as a whole, and in forming our opinion. We do not provide a separate opinion on these matters.

| Key assurance matter | How our procedures addressed the key assurance matter |
|--|---|
| <p>Regulatory Asset Base</p> <p>The Regulatory Asset Base (RAB), as set out in Schedule 4, reflects the value of the Company's electricity distribution assets. These are valued using an indexed historic cost methodology prescribed by the Determination. It is a measure which is used widely and is key to measuring the Company's return on investment and therefore important when monitoring financial performance or setting electricity distribution prices.</p> <p>The RAB inputs, as set out in the Input Methodologies, are similar to those used in the measurement of fixed assets in the financial statements, however, there are a number of different requirements and complexities which require careful consideration.</p> <p>Due to the importance of the RAB within the regulatory regime, the incentives to overstate the RAB value, and complexities within the regulations, we have considered it to be a key area of focus.</p> | <p>We have obtained an understanding of the compliance requirements relevant to the regulatory asset base as set out in the Information Disclosure Determination (ID Determination) and the Input Methodologies (IMs).</p> <p>We have performed the following procedures:</p> <p><i>Assets commissioned</i></p> <ul style="list-style-type: none">• We reconciled the assets commissioned, as per the regulatory fixed asset register, to the asset additions disclosed in the audited annual financial statements and investigated material reconciling items;• We inspected the assets commissioned during the period, as per the regulatory fixed asset register, to identify any specific cost or asset type exclusions, as set out in the ID Determination, which are required to be removed from the RAB;• We tested a sample of assets commissioned during the disclosure period for appropriate asset category classification; <p><i>Depreciation</i></p> <ul style="list-style-type: none">• We compared the standard asset lives by asset category to those set out in the IMs;• For assets with no standard asset lives we assessed the reasonableness of the lives used by reference to the accounting depreciation rates used in preparing the financial statements;• We verified the spreadsheet formula utilised to calculate regulatory depreciation expense is in line with IM clause 2.2.5; <p><i>Revaluation</i></p> <ul style="list-style-type: none">• We recalculated the revaluation rate set out in the Input Methodologies using the relevant Consumer Price Index indices taken from the Statistics New Zealand website;• We tested the mathematical accuracy of the revaluation calculation performed by management; <p><i>Disposals</i></p> <ul style="list-style-type: none">• We inspected the asset disposals within the accounting fixed asset register to ensure disposals in the RAB meet the definition of a disposal per the IMs. <p>We have no matters to report from undertaking those procedures.</p> |





| Key assurance matter | How our procedures addressed the key assurance matter |
|--|--|
| <p>Cost and Asset Allocation</p> <p>The ID Determination relates to information concerning the supply of electricity distribution services. In addition to the regulated supply of electricity, Electricity Ashburton Limited also supplies customers with other unregulated services such as contracting and fibre services.</p> <p>As set out in schedules 5d, 5e, 5f and 5g, costs and asset values that relate to electricity distribution services regulated under the ID determination should comprise:</p> <ul style="list-style-type: none">• all of the costs directly attributable to the regulated goods or services; and• an allocated portion of the costs that are not directly attributable. <p>The IMs set out rules and processes for allocating costs and assets which are not directly attributable to either regulated or unregulated services. A number of screening tests apply which must be considered when deciding on the appropriate allocation method.</p> <p>The Company has applied the Accounting-Based Allocation Approach Methodology (ABAA) utilising proxy cost and asset allocators to allocate the asset values and operating costs that are not directly attributable where causal relationships could not be identified.</p> <p>Given the judgement involved in the application of the cost and asset allocation methodologies we consider it a key assurance matter.</p> | <p>We obtained an understanding of the Company's cost and asset allocation processes and the methodologies applied.</p> <p>Our procedures over cost and asset allocation included:</p> <ul style="list-style-type: none">• Reconciling the regulated and unregulated financial information to the audited financial statements; <p><i>Classification as directly/not directly attributable</i></p> <ul style="list-style-type: none">• Considering the appropriateness of the costs allocated as directly attributable, based on the nature and our understanding of the business to determine the reasonableness of the directly attributable classification;• Testing a sample of invoices to ensure their classification as either directly attributable or not directly attributable costs are appropriate and in line with the ID determination;• Inspecting the fixed asset register to identify any asset classes which based on their nature and our understanding of the business could be considered assets directly attributable to a specific business unit;• Testing a sample of assets commissioned to ensure their classification as either directly attributable or not directly attributable are appropriate and in line with the ID determination by inspecting the related invoice; <p><i>Appropriateness of the allocators used for not directly attributable costs and assets</i></p> <ul style="list-style-type: none">• Understanding why causal relationships could not be identified in allocating costs or assets and ensuring appropriate disclosure has been included outlining these in Schedule 14;• Considering the appropriateness of the cost and asset proxy allocators used in applying the ABAA to not directly attributable costs including inspecting supporting documentation and recalculating proxy allocators;• Recalculating the split between not directly attributable costs and asset values allocated to electricity distribution services and non-electricity distribution services. <p>We have no matters to report from undertaking those procedures.</p> |
| <p>Related party transactions</p> <p>Disclosures over related party transactions including related party relationships, procurement policies/processes, application of these policies/processes and examples of market testing of transaction terms as required under the ID Determination and the IMs are set out in Appendix A.</p> <p>The ID Determination and the IM Determination require the Company to value its transactions with related parties, disclosed in Schedule 5b, in accordance with the principles-based approach to the arm's length valuation rule. This rule states</p> | <p>We have obtained an understanding of the compliance requirements relevant to related party transactions as set out in the ID Determination and the IMs. We have ensured Schedule 5(b) and Appendix A includes all required disclosures including current procurement policies, descriptions of how they are applied in practice, representative example transactions and when and how market testing was last performed.</p> <p>We have performed the following procedures over Schedule 5(b) and Appendix A:</p> <p><i>Completeness and accuracy of related party relationships and transactions</i></p> <p>We have tested the completeness and accuracy of the related</p> |



| Key assurance matter | How our procedures addressed the key assurance matter |
|--|---|
| <p>that the value of goods or services acquired from a related party cannot be greater than if it had been acquired under the terms of an arm's length transaction with an unrelated party, nor may it exceed the actual cost to the related party. A sale or supply to a related party cannot be valued at an amount less than if it had been sold or supplied under the terms of an arm's-length transaction with an unrelated party.</p> <p>Arm's-length valuation, as defined in the IM, is the value at which a transaction, with the same terms and conditions, would be entered into between a willing seller and a willing buyer who are unrelated and who are acting independently of each other and pursuing their own best interests.</p> <p>The company applies the consolidation (or cost-based) approach for demonstrating compliance with the general valuation principles under the ID Determination and the IMs. The determinations presume that where the transaction is valued at the cost normally incurred by the related party, and provided this is fair and reasonable, it may be treated as if it was an arm's length transaction under the consolidation approach (i.e. no profit margin included).</p> <p>For those transactions where the consolidation approach is not applied, the Company is required to use an objective and independent measure to demonstrate compliance with the arm's-length principle. In the absence of an active market for similar transactions, assigning an objective arm's length value to a related party transaction is difficult and requires significant judgement.</p> <p>We have identified related party transactions at arm's length as a key audit matter due to the judgement involved.</p> | <p>party relationships and transactions by:</p> <ul style="list-style-type: none">• Agreeing the disclosures within Schedule 5(b) to the audited financial statements for the year ended 31 March 2019 and to the accounting records, investigating any differences and determining whether any such differences are justified; and• Applying our understanding of the business structure against the related party definition in IM clause 1.1.4(2)(b) to assess management's identification of any "unregulated parts" of the entity. <p><i>Practical application of procurement policies</i></p> <ul style="list-style-type: none">• Testing a sample of operating expenditure and capital expenditure transactions disclosed in Schedule 5(b) by inspecting supporting documentation to determine compliance with the disclosed procurement policy and practices. <p><i>Arm's length valuation rule</i></p> <p>We inquired with management, and applied our understanding of the business, to identify the types of transactions accounted for under the consolidation approach and:</p> <ul style="list-style-type: none">• Agreed the values of those transactions disclosed in Schedule 5(b) to those accounted for after elimination of intercompany profit within the EA Networks audited financial statements; and• Considered whether the costs incurred from related parties, under the consolidation approach, were fair and reasonable by testing controls around the approval of expenses on a sample basis and monitoring actual costs against budgets and the asset management plan. <p>For those related party transactions not accounted for under the consolidation approach, we obtained the Company's assessment of the available independent and objective measures used in supporting the arm's length valuation principle and re-performed the calculations and agreed key inputs and assumptions to supporting documentation for a sample of transactions.</p> <p>We have no matters to report from undertaking those procedures.</p> |

Director's Responsibilities

The Directors are responsible on behalf of the Company for:

- compliance with the Information Disclosure Determination and the valuation of related party transactions in accordance with the Information Disclosure Determination and the Input Methodologies Determination; and
- the identification of risks that threaten such compliance and controls which will mitigate those risks and monitor ongoing compliance.



Auditors' Responsibilities

Our responsibility is to express an opinion on whether the Company has complied, in all material respects, with the Information Disclosure Determination in the preparation of the Disclosure Information for the disclosure year ended 31 March 2019 and on whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

Our engagement has been conducted in accordance with ISAE (NZ) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and SAE 3100 (Revised) *Compliance Engagements* which require that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied in all material respects with the Information Disclosure Determination in the preparation of the Disclosure Information for the disclosure year ended 31 March 2019, and whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

An assurance engagement to report on the Company's compliance with the Information Disclosure Determination and the Input Methodologies Determination involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements of the Information Disclosure Determination and the Input Methodologies Determination. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the requirements of the Information Disclosure Determination and the Input Methodologies Determination.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the disclosure year ended 31 March 2019 does not provide assurance on whether compliance with the requirements of the Information Disclosure Determination and the Input Methodologies Determination will continue in the future.

Who we report to

This report has been prepared for the Directors and the Commerce Commission in accordance with clause 2.8.1(1) of the Information Disclosure Determination and is provided solely to assist you in establishing that compliance requirements have been met. Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors and the Commerce Commission, or for any purpose other than that for which it was prepared.

The engagement partner on the assurance engagement resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

A handwritten signature in black ink that reads 'Elizabeth Adriana (Adri) Smit'.

Chartered Accountants
29 August 2019

Christchurch, New Zealand