

Company Name Electricity Ashburton Limited
trading as EA Networks

For Year Ended 31 March 2015

Schedule 14 Mandatory Explanatory Notes

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 12 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

EA networks is a cooperative as such it aims to service the needs of its customers. While financial return is seen as important, EA networks takes the view of seeking enough revenue to ensure a sustainable business mode, rather than maximising return on investment.

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

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

| | |
|--------------------------------------|------------|
| Other regulatory income | \$'000 |
| Sales of scrap | 76 |
| Loss of constraints | 101 |
| Standard connection fees | 526 |
| Other items | 33 |
| Total other regulatory income | 736 |

Sale of scrap partially incorporates proceeds from the sale of RAB assets sold for scrap. EA Networks is unable to separate the proceeds from the sale of scrap from the proceeds from sale of 'off-cuts'. The risk for users of this information is a slight overstatement of other regulatory income and a slight understatement of profit on sale.

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

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: Explanatory comment on merger and acquisition expenditure

No costs have been incurred concerning merger and acquisition expenses.

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)

4(i): Regulatory Asset Base Value (Rolled Forward)

All items have been rolled forward in accordance with the requirements.

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

The opening value of the unallocated regulatory asset base has been adjusted in accordance with subclause 2.7.1.(2)

Last year's closing unallocated RAB was incorrectly stated. The corrected unallocated regulatory asset base for 2014 is shown below.

4(ii): Unallocated Regulatory Asset Base

2014 4(ii): Unallocated Regulatory Asset Base

| | Adjusted | | | | Disclosed | | | |
|---|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|------------------------------|----------------|
| | Unallocated RAB * (\$000) | RAB (\$000) | Unallocated RAB * (\$000) | RAB (\$000) | Unallocated RAB * (\$000) | RAB (\$000) | Unallocated RAB * (\$000) | RAB (\$000) |
| Total opening RAB value | 207,829 | 207,829 | 207,829 | 207,829 | 207,829 | 207,829 | 207,829 | 207,829 |
| less Total depreciation | 6,958 | 6,958 | 6,958 | 6,958 | 6,958 | 6,958 | 6,958 | 6,958 |
| plus Total revaluations | 3,159 | 3,159 | 3,159 | 3,159 | 3,159 | 3,159 | 3,159 | 3,159 |
| plus Assets commissioned (other than below) | 6,569 | 6,569 | 6,569 | 6,569 | 6,569 | 6,569 | 6,569 | 6,569 |
| Assets acquired from a regulated supplier | - | - | - | - | - | - | - | - |
| Assets acquired from a related party | 12,567 | 12,567 | 12,567 | 12,567 | 13,204 | 12,567 | 12,567 | 12,567 |
| Assets commissioned | 19,136 | 19,136 | 19,136 | 19,136 | 19,773 | 19,136 | 19,136 | 19,136 |
| less Asset disposals (other than below) | 1,614 | 1,614 | 1,614 | 1,614 | 1,614 | 1,614 | 1,614 | 1,614 |
| Asset disposals to a regulated supplier | - | - | - | - | - | - | - | - |
| Asset disposals to a related party | - | - | - | - | - | - | - | - |
| Asset disposals | 1,614 | 1,614 | 1,614 | 1,614 | 1,614 | 1,614 | 1,614 | 1,614 |
| plus Lost and found assets adjustment | - | - | - | - | - | - | - | - |
| plus Adjustment resulting from asset allocation | - | (1,031) | (1,031) | (1,031) | - | (1,031) | (1,031) | (1,031) |
| Total closing RAB value | 221,552 | 220,521 | 220,521 | 220,521 | 222,189 | 220,521 | 220,521 | 220,521 |

The unallocated RAB assets acquired from a related party had an incorrect amount entered into the final disclosure schedule.

4(iv) Roll forward of works under construction.

The error which affected schedule 4(ii) also affected schedule 4(iv).

| 4(iv): Roll Forward of Works Under Construction | | Disclosed in 2014 | | | |
|--|---|--------------------------------------|--------------|------------------------------------|--------------|
| | | Unallocated works under construction | | Allocated works under construction | |
| | Works under construction—preceding disclosure year | | 4,368 | | 4,368 |
| plus | Capital expenditure | 16,115 | | 16,115 | |
| less | Assets commissioned | 19,773 | | 19,136 | |
| plus | Adjustment resulting from asset allocation | | | | |
| | Works under construction - current disclosure year | | 710 | | 1,347 |
| | | Corrected 2014 numbers | | | |
| | Works under construction—preceding disclosure year | | 4,368 | | 4,368 |
| plus | Capital expenditure | 16,115 | | 16,115 | |
| less | Assets commissioned | 19,136 | | 19,136 | |
| plus | Adjustment resulting from asset allocation | | | | |
| | Works under construction - current disclosure year | | 1,347 | | 1,347 |

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 |
|---|---------------|
| Tax profit on PPE sold | 5 |
| Total | 5 |

8.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible.

None

| 8.3 Income included in regulatory profit / (loss) before tax but not taxable | \$'000 |
|---|---------------|
| Account profit on PPE sold | 2 |
| Total | 2 |

8.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax.

None

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)

| | <u>2014</u> | <u>2015</u> |
|-----------------------|-------------|-------------|
| Employee entitlements | 239 | 232 |
| Provision for ACC | 11 | 9 |
| | <hr/> | <hr/> |
| | 250 | 242 |
| Less 2014 Movement | | <hr/> |
| | | 250 |
| | | <hr/> |
| | - | 9 |

Related party transactions: disclosure of related party transactions (Schedule 5b)

10 In the box below, provide descriptions of related party transactions beyond those disclosed on Schedule 5b including identification and descriptions as to the nature of directly attributable costs disclosed under subclause 2.3.6(1)(b).

Box 7: Related party transactions

EA Networks is a co-operative company who has regular related party transactions with its shareholders which may include the purchase of and sale of goods and services, all of which are carried out at market value.

Work undertaken by EA Networks contracting is carried out at cost with no profit being created as the result of the transaction.

EA contracting is the prime contractor for the network. EA contracting may use subcontractors to complete maintenance and construction of RAB assets. The cost of subcontractors have been included in the related note as a transaction between EA contracting and the EDB.

EA Networks own a fibre network, part of which is rented by the power network on the same commercial terms and conditions as it offers third parties.

The fibre rental of the fibre business is valued using a director's certificate.

Cost allocation (Schedule 5d)

11 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 8: Cost allocation

EA Networks has employed "ACAM" allocation method.

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

Asset allocation (Schedule 5e)

12 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 9: Commentary on asset allocation

EA Networks has employed "ACAM" allocation method.

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

Capital Expenditure for the Disclosure Year (Schedule 6a)

13 In the box below, comment on expenditure on assets for the disclosure year, as disclosed in Schedule 6a. This comment must include-

13.1 a description of the materiality threshold applied to identify material projects and programmes described in Schedule 6a;

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

Box 10: Explanation of capital expenditure for the disclosure year

Section 13.1 Materiality Threshold

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

Test 1: Risk associated with the project

The risk associated with the project in question. Projects with notable risk are detailed in the schedule.

Test 2 financial investment level test

Projects which require notable financial investment are detailed individually; Currently notable financial investment is defined as above \$100k.

Section 13.2 Reclassified items

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

Operational Expenditure for the Disclosure Year (Schedule 6b)

14 In the box below, comment on operational expenditure for the disclosure year, as disclosed in Schedule 6b. This comment must include-

14.1 Commentary on assets replaced or renewed with asset replacement and renewal operational expenditure, as reported in 6b(i) of Schedule 6b;

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

14.3 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 11: Explanation of operational expenditure for the disclosure year

| 14.1 Assets replaced or renewed | \$000's |
|--|----------------|
| Overhead lines | 123 |
| Overhead lines removal | 64 |
| Underground | 38 |
| Substation | 72 |
| Transformers | 426 |
| Pillar | 3 |
| Projection | 35 |
| Switchgear | 46 |
| Ripple | 5 |
| Earthing | 82 |
| Other | 11 |
| Indirect staff time | 79 |
| Total | 984 |

| Business support | \$000 |
|-----------------------------|--------------|
| Directors fees | 236 |
| Employee costs | 1,271 |
| IT related costs | 224 |
| Other costs | 318 |
| Subscription | 813 |
| Consultants and Legal Fees | 155 |
| Head office operating costs | 393 |
| Advertising & Sponsorship | 99 |
| | 3,509 |

| System operations and network support | \$000 |
|--|--------------|
| Employee costs | 1,943 |
| Other | 286 |
| Consultants and Legal Fees | 61 |
| Fibre rental | 738 |
| IT | 172 |
| Insurance | 137 |
| | 3,336 |

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

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

14.3 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.

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

Variance between forecast and actual expenditure (Schedule 7)

15 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 12: Explanatory comment on variance in actual to forecast expenditure**7(i): Revenue**

Reflects higher than planned demand growth on the network.

7(ii): Expenditure on Assets*Consumer connection*

The actual investment in consumer connection has historically been and continues to be affected by a large number of external macro events. EA Networks has little control over those macro events, such as dairy pricing which drives irrigation connection demand, and earthquakes and the associated population movement from Christchurch. While EA Networks incorporate all known factors into its connection AMP forecast a large amount of data remains hidden from EA. As a result there will always be some variance from forecast to actual.

System growth

| System growth | AMP 2015 | Actual | Variance |
|---|-----------------|---------------|-----------------|
| Subtransmission | 0 | 0 | 0 |
| Zone substations | 0 | 58 | 58 |
| Distribution and LV lines | 560 | 499 | (60) |
| Distribution and LV cables | 351 | 387 | 36 |
| Distribution substations and transformers | 1,918 | 1,853 | (66) |
| Distribution switchgear | 9 | 79 | 70 |
| Other network assets | 585 | 731 | 146 |
| | 3,423 | 3,608 | 185 |

Zone Substations: Mainly reflects Ashburton substation upgrade which was allowed for in the 2014 year, but not completed until this year.

Distribution LV Lines: mainly reflect 22kV conversion budget to be completed in the 2015 year, which has started but is not yet completed. These projects will be completed in 2015. The projects in question are:

[10018] 11-22kV Conversion Dromore, [10019] 11-22kV Conversion Rupuna.

Distribution and LV cables, Distribution substations and transformers and Distribution Switchgear: Over all 3 categories capital investment was in line with the AMP.

Other network asset: Reflects an additional RMU Control box being installed, carried over from the prior year.

Asset replacement renewal

| Renewal | AMP 2015 | Actual | Variance |
|---|----------|--------|----------|
| Subtransmission | 850 | 797 | 53 |
| Zone substations | 364 | 0 | 364 |
| Distribution and LV lines | 1,122 | 219 | 904 |
| Distribution and LV cables | 1,654 | 575 | 1,079 |
| Distribution substations and transformers | 154 | 1,356 | (1,202) |
| Distribution switchgear | 739 | 338 | 401 |
| Other network assets | 0 | 0 | 0 |
| | 4,883 | 3,285 | 1,598 |

The main variance reflects:

| | |
|--|-------|
| | \$000 |
| 14003 Arundel Rakaia Gorge Road North | 117 |
| 14004 Peters Road | 83 |
| 14006 Waimarama Road | 108 |
| 14009 Rangitata Gorge Road (PC Sum) | 349 |
| 14017 Maldon Street Chertsey | 289 |
| 140170 Maldon Street Chertsey - Services | 8 |
| 15015 Pendarves Building and Protection | 441 |
| 14050 66kV River Piles Ashburton River (Methven-Mt Somers Project) | 71 |
| | 1,467 |

Being delayed to due to resourcing issues.

Asset relocation

| | AMP 2015 | Actual | Variance |
|---|----------|--------|----------|
| [14035] SH1 Walnut Ave Intersection re-design (re-locate sub) | 375 | 364 | 11 |
| [10038] Methven Highway 66kV UG | 0 | 1 | (1) |
| [14026] SH1 UG conversion - Works Rd to Dromore | 56 | 0 | (56) |
| | 431 | 365 | (66) |
| Capital contributions | (350) | (146) | 204 |
| | 81 | 220 | 139 |

14035: This project was due to be completed in 2015, due to a delay by NZTA this project will now be completed in 2016.

14026: This project was due to be completed in 2015, due to a delay by NZTA this project will now be completed in 2016.

Safety quality of supply

The variance mainly reflects a catch-up in projects which were detailed from the 2014 year.

Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015) – Schedules 14-15

| | Budgets | | | Variance due to | | | |
|--|----------|----------|-----------|-----------------|---------------------|-----------------------|--------------------|
| | AMP 2014 | AMP 2015 | Sub-total | Actual | Project before 2014 | Deferred to next year | 2014&2015 Variance |
| [100180] AMP - 22kV Conversion Boundary Rd | | | - | 12 | (12) | | |
| [10009] Rawles Crossing Road 22kV (4km) | | | - | 156 | (156) | | |
| [10020] Dobson Street, Chalmers Ave to Willow Street UG | 130 | | 130 | 108 | | | 22 |
| [10021] South Street, Chalmers Ave to Willow Street UG | | | - | 9 | (9) | | |
| [10022] Dolma Street, Methven UG | 19 | 322 | 341 | 352 | | | (10) |
| [10024] 64 Middle Road to Belt Road UG | 50 | | 50 | 45 | | | 5 |
| [10023] Carters Terrace, Grove Street UG | 1 | | 1 | 1 | | 1 | |
| [10025] Albert Street - Adam Street UG | - | | - | 180 | (180) | | |
| [10028] Chalmers Ave/Nelson Street, Havelock Street to Eaton Street UG | 289 | | 289 | 12 | | | 277 |
| [10029] Hoods Road/Pattons Road/Ashburton Gorge Road, Mt Somers UG | 950 | | 950 | 737 | | | 213 |
| [10032] Methven Highway UG | 346 | | 346 | (0) | | | 346 |
| [10033] Digbys Bridge UG | 6 | | 6 | 131 | | | (125) |
| [10063] Northern 66kV Ring Protection Upgrade | | | - | 40 | (40) | | |
| [10074] Lauriston Protection | | 39 | 39 | 104 | | | (66) |
| [10076] Carew Protection and 66kV VTs | | | - | 24 | (24) | | |
| [15025] Elgin ZS Line Diff Protection | | 39 | 39 | | | 39 | |
| [15030] Wakanui ZS Line Protection | | 60 | 60 | | | 60 | |
| [15035] Overdale ZS Line Diff and BZ Protection | | 63 | 63 | 83 | | | (21) |
| [15040] Methven ZS Line Diff and BZ Protection | | 81 | 81 | | | 81 | |
| [15045] HBK System Synchronising | | 17 | 17 | | | 17 | |
| [10077] Carew & Coldstream Battery Chargers | | | - | 6 | | | (6) |
| [10080] Methven 10MVA 11/22kV Transformer | 316 | | 316 | 200 | | | 116 |
| [10082] Pendarves Building Design | | | - | 122 | (122) | | |
| [10085] Modify RMU for Reclose | | | - | 136 | (136) | | |
| [10087] 66kV Lightning Arrestors at Zone Subs | | | - | 7 | (7) | | |
| [10088] Additional RMUs | | 906 | 906 | 759 | | | 147 |
| [10093] SCADA and Comms to Existing Sites | | | - | 3 | (3) | | |
| [10095] RMU Fault Detectors | | | - | 88 | (88) | | |
| [14018] AMP - Rakaia 22kV Security, Railway Tce | | 161 | 161 | 2 | | | 159 |
| [Unbudgeted] All other quality of supply projects or programmes | | | - | 6 | (6) | | |
| [Brought forward forward] 22kV Conversion 2012 - Lagmhor (Stage 1 | | | - | 7 | (7) | | |
| [13017] Janitza Harmonic Recorders | | 13 | 13 | 10 | | | 3 |
| [13115] Replace/Reposition available NULE *3 | | 12 | 12 | | | 12 | |
| [14040] 11kv Reconfiguration Morgan st & Alington St Methven | | 11 | 11 | | | 11 | |
| [10008] Additional RMUs | | | | | | | |
| | 2,107 | 1,724 | 3,831 | 3,341 | (789) | 221 | 1,059 |

Reliability, safety and environment (RSE): other, reliability, safety and environment

| RSE Other, Reliability Safety and Environment | AMP 2015 | Actual | Variance |
|---|----------|--------|----------|
| [10094] Substation Security Monitoring | 74 | 63 | (11) |
| [90009] Unscheduled Other Reliability, Safety and Environment | 337 | 147 | (190) |
| [Unbudgeted] All other reliability, Safety and Environmental Projects | 24 | 21 | (3) |
| [13014] New upgrade earthing sys conv & swgr | 72 | 1 | (71) |
| [16004] Substation Surveillance Only | 60 | 5 | (55) |
| Grand Total | 567 | 237 | (330) |

The variance reflects a reorganisation of the work programme to match the availability of external resources.

Non-Network assets

| Non-Network assets | AMP 2015 | Actual | Variance |
|------------------------|----------|--------|----------|
| Routine expenditure | | | |
| Other | 41 | 12 | 29 |
| Vehicles | 228 | 129 | 99 |
| Information Technology | 84 | 54 | 30 |
| Critical spares | 0 | 54 | (54) |
| | 353 | 248 | 105 |

| 11a(ix) Non-Network Assets | | | | |
|---|---------------------|-----------------|---------------|-----------------|
| A-typical | | | | |
| | | AMP 2015 | Actual | Variance |
| Network Billing system | Deferred until 2015 | 113 | - | (111) |
| 99016 Back-up control Facilities at ex-Methuen Substation | Deferred until 2015 | 113 | - | (111) |
| 190025 Asset/works management software | Deferred until 2015 | 815 | 20 | (784) |
| 13024 GPS Vehicle Management, Radio Access Dispatching | | 75 | 70 | (4) |
| GIS Electricity Implementation | Deferred until 2015 | 254 | - | (250) |
| Carried forward other | | 41 | - | (40) |
| Other | | 116 | 94 | (20) |
| | | 1,525 | 184 | (1,320) |

Non-network assets have only been replaced when required. The remaining budget will be transferred to 2015.

Network expenditure

This budget has been managed as a whole, rather than on a line by line basis.

Information relating to revenues and quantities for the disclosure year

16 In the box below provide-

- 16.1 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
- 16.2 explanatory comment on reasons for any material differences between target revenue and total billed line charge revenue.

Box 13: Explanatory comment relating to revenue for the disclosure year

Targeted revenue is defined as revenue requirements disclosed in the 2014 pricing methodology. The box below shows the revenue requirements defined in the pricing methodology compared to actual cost of each component for the 2014-2015 year.

| | Actual | Targeted | Variance |
|----------------------------|--------|----------|----------|
| Transmission | 7,114 | 7,223 | (109) |
| Operations and Maintenance | 5,612 | 5,483 | 129 |
| Administration | 3,509 | 2,981 | 528 |
| Depreciation | 7,375 | 6,859 | 516 |
| Cost of capital | 16,904 | 14,859 | 2,045 |
| | 40,514 | 37,405 | 3,109 |

The higher than planned revenue mainly reflects 600 additional ICPs.

The following table shows revenue by consumer group and cost per ICP.

| | Actual number | Target number | Number variance | Actual revenue \$000 | Targeted revenue \$000 | Revenue variance \$000 |
|--------------------|---------------|---------------|-----------------|----------------------|------------------------|------------------------|
| Major users | 5 | 5 | - | 1,651 | 1,700 | (49) |
| Generation | 3 | 3 | - | 451 | 400 | 51 |
| Irrigation | 1,511 | 1,433 | 78 | 15,855 | 17,000 | (1,145) |
| Harmonics Discount | | | - | (847) | (2,000) | 1,153 |
| Industrial | 41 | 46 | (5) | 1,800 | 2,100 | (300) |
| General | 16,847 | 16,320 | 527 | 21,604 | 18,205 | 3,399 |
| Total | 18,407 | 17,807 | 600 | 40,514 | 37,405 | 3,109 |

Network Reliability for the Disclosure Year (Schedule 10)

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

Box 14: Commentary on network reliability for the disclosure year

Network reliability is compliant with quality requirements under the default price-quality path, however there are inherent limitations in the ability of EA Networks to collect and record the network reliability information required to be disclosed in Schedule 10(i) to 10(iv). Consequently there is no independent evidence available to support the completeness and accuracy of recorded faults and control over the completeness and accuracy of installation control point ('ICP') data included in the SAIDI and SAIFI calculations is limited throughout the year.

Insurance cover

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

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

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

Box 15: Explanation of insurance cover

18.1 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.

18.2 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

19 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:

19.1 a description of each error; and

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

Box 16: Disclosure of amendment to previously disclosed information
4(ii): Unallocated Regulatory Asset Base

Last year’s closing unallocated RAB was incorrectly stated. The corrected unallocated regulatory asset base for 2014 is shown below.

| 2014 4(ii): Unallocated Regulatory Asset Base | | Adjusted | | | | Disclosed | | | |
|---|--|------------------|---------|---------|---------|------------------|---------|---------|---------|
| | | Unallocated RAB* | | RAB | | Unallocated RAB* | | RAB | |
| | | (\$000) | (\$000) | (\$000) | (\$000) | (\$000) | (\$000) | (\$000) | (\$000) |
| Total opening RAB value | | | 207,829 | | 207,829 | | 207,829 | | 207,829 |
| <i>less</i> | | | | | | | | | |
| Total depreciation | | | 6,958 | | 6,958 | | 6,958 | | 6,958 |
| <i>plus</i> | | | | | | | | | |
| Total revaluations | | | 3,159 | | 3,159 | | 3,159 | | 3,159 |
| <i>plus</i> | | | | | | | | | |
| Assets commissioned (other than below) | | 6,569 | | 6,569 | | 6,569 | | 6,569 | |
| Assets acquired from a regulated supplier | | - | | - | | - | | - | |
| Assets acquired from a related party | | 12,567 | | 12,567 | | 13,204 | | 12,567 | |
| Assets commissioned | | | 19,136 | | 19,136 | | 19,773 | | 19,136 |
| <i>less</i> | | | | | | | | | |
| Asset disposals (other than below) | | 1,614 | | 1,614 | | 1,614 | | 1,614 | |
| Asset disposals to a regulated supplier | | - | | - | | - | | - | |
| Asset disposals to a related party | | - | | - | | - | | - | |
| Asset disposals | | | 1,614 | | 1,614 | | 1,614 | | 1,614 |
| <i>plus</i> | | | | | | | | | |
| Lost and found assets adjustment | | | - | | - | | - | | - |
| <i>plus</i> | | | | | | | | | |
| Adjustment resulting from asset allocation | | | | | (1,031) | | | | (1,031) |
| Total closing RAB value | | | 221,552 | | 220,521 | | 222,189 | | 220,521 |

The unallocated RAB assets acquired from a related party had an incorrect amount entered into the final disclosure schedule.

4(iv) Roll forward of works under construction.

The error which affected schedule 4(ii) also affected schedule 4(iv).

| 4(iv): Roll Forward of Works Under Construction | | Disclosed in 2014 | | | |
|--|--|--------------------------------------|-------|------------------------------------|-------|
| | | Unallocated works under construction | | Allocated works under construction | |
| Works under construction—preceding disclosure year | | | 4,368 | | 4,368 |
| <i>plus</i> | Capital expenditure | 16,115 | | 16,115 | |
| <i>less</i> | Assets commissioned | 19,773 | | 19,136 | |
| <i>plus</i> | Adjustment resulting from asset allocation | | | | |
| Works under construction - current disclosure year | | | 710 | | 1,347 |
| Corrected 2014 numbers | | | | | |
| Works under construction—preceding disclosure year | | | 4,368 | | 4,368 |
| <i>plus</i> | Capital expenditure | 16,115 | | 16,115 | |
| <i>less</i> | Assets commissioned | 19,136 | | 19,136 | |
| <i>plus</i> | Adjustment resulting from asset allocation | | | | |
| Works under construction - current disclosure year | | | 1,347 | | 1,347 |

5a(vi): Regulatory tax asset base roll-forward

In 2014 a number of assets associated with EA Networks old head office has been adjusted from RAB, as the result of an asset allocation. Their corresponding tax value was not transferred out of the Tax asset register. The table below restates the 2014 regulatory tax to reflect the correct closing value for the 2014 year.

Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015) – Schedules 14-15

| 5a(viii): Regulatory Tax Asset Base Roll-Forward | | Corrected 2014 numbers | | Disclosed | |
|---|---|-------------------------------|----------------|------------------|----------------|
| | | | (\$000) | | (\$000) |
| | Opening sum of regulatory tax asset values | 106,837 | | 106,837 | |
| <i>less</i> | Tax depreciation | 10,145 | | 10,145 | |
| <i>plus</i> | Regulatory tax asset value of assets commissioned | 19,136 | | 19,136 | |
| <i>less</i> | Regulatory tax asset value of asset disposals | 1,276 | | 1,276 | |
| <i>plus</i> | Lost and found assets adjustment | - | | - | |
| <i>plus</i> | Adjustment resulting from asset allocation | 924 | | - | |
| <i>plus</i> | Other adjustments to the RAB tax value | - | | - | |
| | Closing sum of regulatory tax asset values | | 113,628 | | 114,552 |

Company Name _____

For Year Ended _____

Schedule 14a Mandatory Explanatory Notes on Forecast Information

1. This Schedule requires EDBs to provide explanatory notes to reports prepared in accordance with clause 2.6.6.

- 20 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)

- 21 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
[Insert text here]

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

- 22 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
[Insert text here]

| | |
|----------------|---------------|
| Company Name | EA Networks |
| For Year Ended | 31 March 2015 |

Schedule 15 Voluntary Explanatory Notes

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.
- 23 Provide additional explanatory comment in the box below.

Box 1: Voluntary explanatory comment on disclosed information**4(ii): Unallocated Regulatory Asset Base**

During the year EA Networks demolished a number of buildings which are recorded under unallocated RAB. Currently the rubble from the buildings is still in EA Networks possession and no remuneration has been received for the buildings in question. Applying the rules from ID's finds that the buildings in question cannot be removed from the asset register as the buildings are still in EA Networks possession, as such the buildings are still recorded in the asset register.



The remains of buildings demolished by EA Networks, which are still inside EA Networks RAB.

Schedule 9a:

23. Zone Substation Buildings \ Zone substations up to 66kV. EA Networks do not have a database of ZSS buildings. The quantities have been manually accumulated. The threshold of what should be classified as a 'building' is not defined in the Determination, so at least one small (10m²) permanent material building has been excluded.

27. Zone substation switchgear \ 33kV Switch (Pole Mounted). All zone substation 33kV and 66kV switches have been included in this category. EA Networks have a significant quantity of 66kV switches, but there is no specific category for their disclosure so they have been included here. 66kV switches were previously omitted from disclosure and their inclusion adds 61 switches to the category. Many of these 66kV rated switches were included when operating at 33kV and it seems incongruous to exclude them when operating at 66kV.

32. Zone substation switchgear \ 22/33kV CB (Indoor). EA Networks own a significant quantity of 22kV indoor circuit breakers. EA Networks also own a significant quantity of 11kV indoor circuit breakers. Many of these circuit breakers are the same make and model and are essentially identical. Some are initially used at 11kV and then operated at 22kV. All of these circuit breakers serve the same function as either bus incomers (from a ZSS transformer) or as a ZSS distribution voltage (MV) feeder. In an attempt to be consistent all ZSS 11kV or 22kV indoor circuit breakers are categorised as '32' - 3.3/6.6/11/22kV CB (ground mounted).

34. Zone Substation Transformer \ Zone Substation Transformers. The disclosed quantity

includes assets that are still in RAB but are not in service.

43. Distribution switchgear \ 3.3/6.6/11/22kV Switches and fuses (pole mounted). An assessment has been made of the fuses directly associated with pole mounted distribution transformers. EA Networks do not maintain a database of these transformer fuses and can only infer quantities from the number of in-service pole mounted transformers. The quantities of switches and fuses that are operationally 'system numbered' (not transformer fuses) are reasonably accurate.

49. Distribution Substations \ Ground Mounted Substation Housing. There is limited information about housings currently held in the asset database. The quantity is more accurate than the previous disclosure (given Electricity Ashburton's interpretation of the definition of 'Distribution substation') and also changes as data improvements occur and new housings are added.

54. Protection \ Protection relays (electromechanical, solid state and numeric). EA Networks do not have a comprehensive database of protection relays. The quantity of numeric relays is well known and documented but the older solid state and numeric relays are not itemised. The disclosed quantity is the documented population of numeric relays. The limited population of non-numeric relays is decreasing each year.

55. SCADA and communications \ SCADA and communications equipment operating as a single system. The single "Lot" of SCADA equipment is shown with unknown age as EA Networks do not have a database of all of the SCADA system components with ages and values.

58. Load Control \ Relays. EA Networks do not own the consumer ripple control relays connected to the distribution network. The only ripple relays EA Networks do own are the street lighting control relays located in most urban distribution substations. The disclosed quantity is not considered particularly accurate (too few are known) and over time will be improved with additional data gathering.