

Company Name	<u>GasNet Limited</u>
For Year Ended	<u>30 June 2022</u>

Schedule 14 Mandatory Explanatory Notes

(Guidance Note: This Microsoft Word version of Schedules 14, 14a and 15 is from the Gas 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 GDBs to provide explanatory notes to information provided in accordance with clauses **Error! Reference source not found.**, **Error! Reference source not found.**, **Error! Reference source not found.**, and subclauses 2.5.1(1)(e) and **Error! Reference source not found.**.
2. This schedule is mandatory—GDBs must provide the explanatory comment specified below, in accordance with clause **Error! Reference source not found.**. 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 **Error! Reference source not found.**.
3. Schedule 15 (Voluntary Explanatory Notes to Schedules) provides for GDBs 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 **Error! Reference source not found.**.

Box 1: Explanatory comment on return on investment
GasNet achieved a post-tax WACC of 10.72% and a vanilla WACC of 11.04%.

Revaluation rate was higher than predicted by NZCC at 7.30%.

Under clause 2.3.3 of the ID Determination GasNet is not required to disclose information in schedule 2(iii) and has elected not to disclose this information.

No items were reclassified.

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 **Error! Reference source not found.**

Box 2: Explanatory comment on regulatory profit

Other regulated income of \$16K relates to sale of a vehicle.

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

6. If the GDB 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 **Error! Reference source not found.**
- 6.2 any other commentary on the benefits of the merger and acquisition expenditure to the GDB.

Box 3: Explanatory comment on merger and acquisition expenditure

GasNet was not involved with any merger or acquisition during the disclosure year.

No items were reclassified.

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 **Error! Reference source not found.**

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

No items were reclassified.

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

None of 8.1 to 8.4 have an entry.

There were no other permanent differences recorded for the disclosure year.

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)

There were no other temporary differences recorded for the disclosure year.

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 **Error! Reference source not found..**

Box 7: Cost allocation

No items were reclassified.

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 **Error! Reference source not found..**

Box 8: Commentary on asset allocation

No assets were reclassified.

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 **Error!**
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Box 9: Explanation of capital expenditure for the disclosure year

12.1 The Projects and programmes specified are those which have been identified separately in GasNet's Annual Plan for 2021-22.

12.2 No items reclassified

Projects and programmes generally relate to those discussed in the Annual Plan and AMP. There is no specific threshold for reporting.

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 **Error!**
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 - 13.3 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.

Box 10: Explanation of operational expenditure for the disclosure year

There was no atypical expenditure incurred

No items were reclassified

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 **Error! Reference source not found.**

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

Regarding 7(ii), GasNet set a higher capital expenditure than for the previous GID year. Figures include only commissioned assets and with external and internal resource challenges and uncertainty caused by COVID, overall expenditure is in line with expectation. There has been increased property development observed.

Regarding 7(iii), Acknowledging necessary operational flexibility caused by COVID, the overall expenditure is in line with expectation.

No items were reclassified.

Information relating to revenues and quantities for the disclosure year

15. In the box below, please explain reasons for any material differences between target revenue disclosed before the start of the pricing year in accordance with clause **Error! Reference source not found.** and subclause **Error! Reference source not found.**, and total billed line charge revenue for the disclosure year as disclosed in Schedule 8.

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

Non-material difference observed in the disclosure year

16. If price category codes or consumer groups (as applicable) have been changed in a disclosure year, please explain in the box below the effect of this on the allocation of ICPs, quantities and revenues between consumer groups disclosed in Schedule 8.

Box 13: Explanatory comment relating to changed price category codes or consumer groups

There were no changes in the disclosure year.

Network Reliability for the Disclosure Year (Schedule 10a)

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

Box 14: Commentary on network reliability for the disclosure year

Class I unplanned interruptions were similar in number and duration to past years. This statistic was almost entirely due to one event where a third party damage incident caused 31 consumer's supplies to be interrupted.

Class B interruptions were similar in number and duration to previous years.

Class C unplanned interruptions were fewer in number and duration to previous years. This is due in part to 10 fewer service pipe locate jobs that required interruptions.

Insurance cover

18. In the box below, provide details of any insurance cover for the assets used to provide gas pipeline services, including-

18.1 The GDB's approaches and practices in regard to the insurance of assets, 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

Costs were for existing line items, but higher budgeted placement costs were only partly observed in the disclosure year.

Amendments to previously disclosed information

19. In the box below, provide information about amendments to previously disclosed information disclosed in accordance with clause **Error! Reference source not found.** 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 **Error! Reference source not found.** is publicly disclosed.

Box 16: Disclosure of amendment to previously disclosed information

The information provided is produced with due care.

Company Name GasNet Limited

For Year Ended 30 June 2022

Schedule 14a: Mandatory Explanatory Notes on Forecast Information

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

1. This schedule requires GDBs to provide explanatory notes to reports prepared in accordance with clause **Error! Reference source not found.**.
2. This schedule is mandatory—GDBs must provide the explanatory comment specified below, in accordance with clause **Error! Reference source not found.**. This information is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section **Error! Reference source not found.**.

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 the 10 year planning period, as disclosed in Schedule 11a.

Box 1: Commentary on difference between nominal and constant price capital expenditure forecasts
GasNet have not escalated capital work costs consistent with its AMP position.

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 the 10 year planning period, as disclosed in Schedule 11b.

Box 2: Commentary on difference between nominal and constant price operational expenditure forecasts
GasNet have not escalated capital work costs consistent with its AMP position.

Company Name	GasNet Limited
For Year Ended	30 June 2022

Schedule 15: Voluntary Explanatory Notes

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

1. This schedule enable GDBs to provide, should they wish to:
 - 1.1 additional explanatory comment to reports prepared in accordance with clauses **Error! Reference source not found., Error! Reference source not found., Error! Reference source not found., Error! Reference source not found., and Error! Reference source not found..**
 - 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 **Error! Reference source not found..**
3. Provide additional explanatory comment in the box below.

Box 1: Voluntary explanatory comment on disclosed information

Regarding S10b System Condition and Integrity the following comments are made;

The number of leaks detected by routine survey was lower than the previous year. This statistic is a mainly function of the areas and length of network leak surveyed. The network is divided into sections and some sections of the network are older and of poorer condition than others and hence may have a higher leakage rate. Each area is surveyed on a 5 year cycle and it depends on when the older sections of the network are surveyed as to the result.

No complaints relating to network activities were recorded in the period.