

Company Name	<u>GasNet Limited</u>
For Year Ended	<u>June 2021</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 7.75% and a vanilla WACC of 8.00%.

Revaluation rate was higher than predicted by NZCC at 3.34%.

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 \$48K relates to contracting to third parties and recovery of third party network damage.

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 2020-21.

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!**
Reference source not found.
 - 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.

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

Total network SAIDI, SAIFI and CAIDI returned to the values typical of previous years with the exception of 2019-2020 when the Network Outage Water Ingress event in 2020 caused the Class I SAIDI and SAIFI in to blow out.

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.

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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 operational costs consistent with its AMP position.

Company Name _____

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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

Re Schedule 10b(i) System Condition and Integrity requires the ‘Number of telephone calls to emergency numbers answered within 30 seconds per total number of calls’.

GasNet have reported a total of 2039 calls were received through the GasNet 06 (0800) 3492050 telephone number. This figure represents only the calls received through the Mitel – Telepo telephone system installed at GasNet on 15 December 2020. Records of calls received and logged from 1 July 2020 through to 15 December 2020 on the previous telephone system have been lost and our IT provider have advised they cannot be retrieved.

Given the period between the Telepo system installation date and 30 June 2021 is approximately six months it is likely that the actual number of calls received was approximately twice this number which would be typical of previous years.

With the changeover of the telephone systems many calls were redirected to the system operator’s stations and were relayed back to GasNet for a period of up to one week. In doing so data on the call answering time has not been logged and therefore the calls are reported, not being answered in 30 seconds. For these reasons GasNet have low confidence in the total number of calls answered within 30 seconds and the statistic, ‘Number of telephone calls to emergency numbers answered within 30 seconds per total number of calls’ entered in the schedule.