

Company Name	GasNet Limited
For Year Ended	30 June 2023

## 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 2.3.1, 2.4.21, 2.4.22, and subclauses 2.5.1(1)(e) and 2.5.2(1)(e).
2. This schedule is mandatory—GDBs 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 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 2.7.1(2).

**Box 1: Explanatory comment on return on investment**

GasNet achieved a post-tax WACC of 8.01% and a vanilla WACC of 8.63%.

Revaluation rate was higher than predicted by NZCC at 6.03%.

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 2.7.1(2).

**Box 2: Explanatory comment on regulatory profit**

Other regulated income of \$72k includes \$17k from network service disconnections, \$14k relating to sale of a vehicle, \$13k to contracting, \$7k to cost recovery from damage to the network, \$18k from interest received and \$3k associated with miscellaneous items and activities.

No items were reclassified.

*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 2.7.1(2)

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 2.7.1(2).

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

No items were reclassified.

Due to a change GasNet's senior management in Oct-23 the information supporting the Works under construction—preceding disclosure year could not be located, and when the source data for FY22 Works under Construction was located it was found to be in variance to the numbers disclosed in that disclosure year.

<b>Works Under Construction</b>	<b>Unallocated RAB (\$000)</b>	<b>RAB (\$000)</b>
Closing value (2022 GID)	1	60
Opening Value (2023 GID)	26	26

Depreciation was \$1,244k, \$201k higher than DY2022. The increase was due to the accelerated depreciation changes applied under the first year of the new default price-quality path (DPP3).

*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**

All entries for items listed in 8.1 to 8.4 were nil.

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 2.7.1(2).

**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 2.7.1(2).

**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 2.7.1(2).

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

The projects and programmes specified are those which have been identified separately in GasNet's Annual Plan and Asset Management Plan (where relevant). There is no specific threshold for reporting.

No items were reclassified.

*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, 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 and 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 2.7.1(2).

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

No Items were reclassified.

**Table 7(ii) – Expenditure on Assets**

**Consumer connections** – lower than forecast due to a decrease in demand for new consumer connections.

**System Growth** - lower than forecast due to one developer not proceeding with a residential development as planned in addition to cost savings achieved through favourable contract rates.

**Asset Replacement and Renewal** – Higher than forecast. Records of forecast expenditure could not be located (see note below).

**Asset Relocations** - Higher than forecast. Records of forecast expenditure could not be located (see note below).

**Other Reliability, Safety and Environment** - Higher than forecast. Records of forecast expenditure could not be located (see note below).

**Non-Network Assets** Lower than forecast. Records of forecast expenditure could not be located (see note below).

**Note:** Due to a change GasNet's senior management in Oct-23 the information supporting the forecast schedules in GasNet's 2022 Asset Management Plan could not be located and differs inexplicably from the approved Annual Plan.

**Box 11: Explanatory comment on variance in actual to forecast expenditure (continued)**

**Table 7(iii) – Operational Expenditure**

**Service Interruptions, Incidents and Emergencies** – Lower than forecast. Records of forecast expenditure could not be located (see note below).

**Routine and corrective maintenance and inspection** – Higher than forecast. Records of forecast expenditure could not be located (see note below).

**Non-network Opex** – System Operations and Network Support and Business Support are on forecast.

**Note:** Due to a change GasNet's senior management in Oct-23 the information supporting the forecast schedules in GasNet's 2022 Asset Management Plan could not be located and differs inexplicably from the approved Annual Plan.

**Table 7(v) – Insurance**

Actual expenditure is close to forecast.

*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 2.4.1 and subclause 2.4.3(3), 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**

Revenue was below forecast primarily due to reduced throughput.

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**

***Variances in the Planned Interruptions (Class B)*** - Planned network interruptions were similar in number to the previous six years and the total duration of the interruptions was similar to the previous two years. The consistent number of interruptions reflects the similar type and quantity of main renewal work performed.

***Variances in the Unplanned Interruptions (Class C)*** - Although the number of unplanned interruptions vary considerably year to year due to the nature of the events that cause them, there were a similar number as the previous year. The type of works that typically result in unplanned interruptions are repairs of faults found by or reported to GasNet. The duration of unplanned interruptions varies from event to event based on the what asset has been affected.

***Variances in Unplanned Interruptions caused by third party damage (Class I)*** - The number of unplanned supply interruptions caused by third party damage (Class I) were lower than the previous two years. The number of interruptions caused by any third party event depends on the number of events, what asset is damaged and its effect on the network. The duration of interruptions was also lower reflecting a low number of supplies interrupted.

*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**

The consolidated cost of insurance cover specified in Schedule 6b: Report On Operational Expenditure For The Disclosure Year is disaggregated as follows;

Network Infrastructure Insurance	\$ 342,578.43
Vehicle Insurance	\$ 7,539.28
Other Company Policies	<u>\$ 32360.55</u>
<b>Total</b>	<b>\$ 382,478.26</b>

There have been no changes in the nature or type of insurance policies from information previously disclosed.

*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**

In preparing the 2025 Information Disclosure submissions, we identified the following error relating to the 2023 Information Disclosure:

**Accelerated depreciation**

We understated our depreciation expense by \$211k, reporting \$1,033k when the correct number was \$1,244k. The error occurred due to GasNet Ltd not applying accelerated depreciation as per DPP3 with the effect of understating the depreciation expense.

The useful life correction also impacted RAB values. The closing RAB value decreased by \$211k to \$28,446. The net impact of making the correction is to reduce the Regulatory Profit before tax by \$164k to \$2,184k.

The errors identified have affected the following schedules:

- Schedule 1 Analytical ratios
- Schedule 2 Report on return on investment
- Schedule 3 Report on regulatory profit
- Schedule 4 Report on value of the regulatory asset base (rolled forward)
- Schedule 5a Report on regulatory tax allowance
- Schedule 5e Report on asset allocations
- Schedule 14 Mandatory explanatory notes

We have also restated the disclosures for 2023 and obtained a new independent assurance report and director's certificate for the restated disclosures.

**Nominal prices (included in Asset Management Plan)**

The second error relates to the 2020 to 2025 asset management plan in which nominal pricing was not disclosed or was disclosed the same as the constant prices.

The changes only affects the nominal values in schedule 11a and 11b.

We have restated the disclosures for 2020 to 2025. We have also obtained a new director's certificate for the restated disclosures.

A full summary of the previously disclosed financial information, the restated financial information and the variances have been included as a separate schedule for ease of reference and understandability. Refer to Appendix A: Impact of 2025 Restatements which has been uploaded to the GasNet Ltd website under the disclosures URL

<https://www.gasnet.co.nz/gasnet-disclosures/>

Company Name	GasNet Limited
For Year Ended	30 June 2023

### **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 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**

Nil