

Company Name	<u>GasNet Limited</u>
For Year Ended	<u>30 June 2024</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 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 6.73% and a vanilla WACC of 7.44%.

Revaluation rate was 3.33%.

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 \$98k includes \$29k from network service disconnections, \$4k from contracting, \$18k for cost recovery from damage to the network, \$34k from interest received, \$8k of inventory sold and \$4k 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.

*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 timing of residential development being delayed.

**Asset Replacement and Renewal** – Lower than forecast. Large projects were completed after year end, expenditure related to the projects are classified as Work in Progress at the end of the year and will be recognised in FY2025.

**Asset Relocations** - Higher than forecast. No asset relocation were budgeted for 2024.

**Other Reliability, Safety and Environment** - Lower than forecast. Record of forecast expenditure could not be located.

**Non-Network Assets** Higher than forecast due replacement of IT equipment.

**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 - as this is an unplanned activity, the forecast is based on prior years and variances are expected.

**Routine and corrective maintenance and inspection** – 1% less than forecast

**Non-network Opex** – Lower than forecast. System Operations and Network Support and Business Support were lower due to reduced spend on consultants.

**Table 7(v) – Insurance**

No forecast included in AMP, however, current year in line with prior years.

*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 previous years but the total duration of the interruptions was lower. The low interruption duration was due to the number of activities within a work program requiring short term interruptions.

**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 **two** years . The type of works that typically results 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) was consistent with variations seen in previous 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 consistent with past variations.

*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	\$ 309,355.83
Vehicle Insurance	\$ 7,883.44
Other Company Policies	<u>\$ 36,271.80</u>
<b>Total</b>	<b>\$ 345,627.63</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**

A rent increase dispute with Whanganui Port Limited Partnership was settled in October 2023. \$6,785.04 of the amount declared in 5b for the current year related to the 2022 financial year and \$6,785.04 related to the 2023 financial year.

Company Name GasNet Limited

For Year Ended 30 June 2023

## **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 2.6.6.
2. This schedule is mandatory—GDBs 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 the 10 year planning period, as disclosed in Schedule 11a.

**Box 1: Commentary on difference between nominal and constant price capital expenditure forecasts**  
GasNet capital work expenditure is consistent with its AMP disclosure.

*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 operational expenditure is consistent with its AMP disclosure.



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For Year Ended	<u>30 June 2023</u>

### **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