



OtagoNet Joint Venture

**INFORMATION DISCLOSURE PREPARED
IN ACCORDANCE WITH
ELECTRICITY INFORMATION DISCLOSURE
DETERMINATION
UNDER PART 4 OF THE COMMERCE ACT 1986**

FOR THE YEAR ENDED 31 MARCH 2019

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1. INTRODUCTION

These Information Disclosure documents are submitted by OtagoNet Joint Venture pursuant to Part 4 of the Commerce Act 1986 in accordance with:

- The Electricity Information Disclosure Determination 2012, (Consolidated in 2018), issued 3 April 2018,
- The Electricity Distribution Services Input Methodologies Determination 2012 (Consolidated in 2014), issued 30 March 2015.

2. INFORMATION DISCLOSURE DISCLAIMER

The information disclosed in this Information Disclosure package issued by OtagoNet Joint Venture has been prepared in accordance with the Determination listed above.

The Determination requires the information to be disclosed in the manner it is presented.

The information should not be used for any other purposes than that intended under the Determination.

The financial information presented is for the electricity distribution business as described within the Determination.

Due to rounding and automatic calculations in the spreadsheets there may be minor summing variances.

3. SCHEDULES

Company Name	OtagoNet Joint Venture
For Year Ended	31 March 2019

SCHEDULE 1: ANALYTICAL RATIOS

This schedule calculates expenditure, revenue and service ratios from the information disclosed. The disclosed ratios may vary for reasons that are company specific and, as a result, must be interpreted with care. The Commerce Commission will publish a summary and analysis of information disclosed in accordance with the ID determination. This will include information disclosed in accordance with this and other schedules, and information disclosed under the other requirements of the determination. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7	1(i): Expenditure metrics				
8		Expenditure per GWh energy delivered to ICPs (\$/GWh)	Expenditure per average no. of ICPs (\$/ICP)	Expenditure per MW maximum coincident system demand (\$/MW)	Expenditure per km circuit length (\$/km)
9	Operational expenditure	19,764	522	127,003	1,880
10	Network	12,627	334	81,141	1,201
11	Non-network	7,137	189	45,862	679
12					Expenditure per MVA of capacity from EDB-owned distribution transformers (\$/MVA)
13	Expenditure on assets	36,920	975	237,249	3,512
14	Network	36,920	975	237,249	3,512
15	Non-network	-	-	-	-
16					
17	1(ii): Revenue metrics				
18		Revenue per GWh energy delivered to ICPs (\$/GWh)	Revenue per average no. of ICPs (\$/ICP)		
19	Total consumer line charge revenue	86,603	2,288		
20	Standard consumer line charge revenue	146,150	2,051		
21	Non-standard consumer line charge revenue	19,128	1,309,673		
22					
23	1(iii): Service intensity measures				
24					
25	Demand density	15			Maximum coincident system demand per km of circuit length (for supply) (kW/km)
26	Volume density	95			Total energy delivered to ICPs per km of circuit length (for supply) (MWh/km)
27	Connection point density	4			Average number of ICPs per km of circuit length (for supply) (ICPs/km)
28	Energy intensity	26,414			Total energy delivered to ICPs per average number of ICPs (kWh/ICP)
29					
30	1(iv): Composition of regulatory income				
31					
32	Operational expenditure	8,660	22.75%		
33	Pass-through and recoverable costs excluding financial incentives and wash-ups	9,167	24.08%		
34	Total depreciation	7,712	20.26%		
35	Total revaluations	2,766	7.27%		
36	Regulatory tax allowance	3,147	8.27%		
37	Regulatory profit/(loss) including financial incentives and wash-ups	12,148	31.91%		
38	Total regulatory income	38,068			
39					
40	1(v): Reliability				
41					
42	Interruption rate	12.44			Interruptions per 100 circuit km

Company Name **OtagoNet Joint Venture**
 For Year Ended **31 March 2019**

SCHEDULE 2: REPORT ON RETURN ON INVESTMENT

This schedule requires information on the Return on Investment (ROI) for the EDB relative to the Commerce Commission's estimates of post tax WACC and vanilla WACC. EDBs must calculate their ROI based on a monthly basis if required by clause 2.3.3 of the ID Determination or if they elect to. If an EDB makes this election, information supporting this calculation must be provided in 2(iii).

EDBs must provide explanatory comment on their ROI in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

2(i): Return on Investment		CY-2	CY-1	Current Year CY
		31 Mar 17	31 Mar 18	31 Mar 19
		%	%	%
7	ROI – comparable to a post tax WACC			
8				
9	Reflecting all revenue earned	7.78%	7.19%	6.46%
10	Excluding revenue earned from financial incentives	7.40%	6.90%	6.12%
11	Excluding revenue earned from financial incentives and wash-ups	6.84%	6.33%	5.54%
12				
13				
14	Mid-point estimate of post tax WACC	4.77%	5.04%	4.75%
15	25th percentile estimate	4.05%	4.36%	4.07%
16	75th percentile estimate	5.48%	5.72%	5.43%
17				
18				
19	ROI – comparable to a vanilla WACC			
20	Reflecting all revenue earned	8.32%	7.79%	6.96%
21	Excluding revenue earned from financial incentives	7.94%	7.49%	6.63%
22	Excluding revenue earned from financial incentives and wash-ups	7.38%	6.92%	6.05%
23				
24	WACC rate used to set regulatory price path	7.19%	7.19%	7.19%
25				
26	Mid-point estimate of vanilla WACC	5.31%	5.60%	5.26%
27	25th percentile estimate	4.59%	4.92%	4.58%
28	75th percentile estimate	6.03%	6.29%	5.94%
29				
30	2(ii): Information Supporting the ROI			
31				
32	Total opening RAB value	186,531		
33	plus Opening deferred tax	(12,352)		
34	Opening RIV		174,179	
35				
36	Line charge revenue		37,945	
37				
38	Expenses cash outflow	17,826		
39	add Assets commissioned	12,937		
40	less Asset disposals	80		
41	add Tax payments	717		
42	less Other regulated income	122		
43	Mid-year net cash outflows		31,278	
44				
45	Term credit spread differential allowance		-	
46				
47	Total closing RAB value	194,442		
48	less Adjustment resulting from asset allocation	(0)		
49	less Lost and found assets adjustment	-		
50	plus Closing deferred tax	(14,783)		
51	Closing RIV		179,660	
52				
53	ROI – comparable to a vanilla WACC			6.96%
54				
55	Leverage (%)			42%
56	Cost of debt assumption (%)			4.33%
57	Corporate tax rate (%)			28%
58				
59	ROI – comparable to a post tax WACC			6.46%
60				

61	2(iii): Information Supporting the Monthly ROI						
62							
63	Opening RIV						N/A
64							
65							
66		Line charge revenue	Expenses cash	Assets	Asset	Other regulated	Monthly net cash
67			outflow	commissioned	disposals	income	outflows
68	April						-
69	May						-
70	June						-
71	July						-
72	August						-
73	September						-
74	October						-
75	November						-
76	December						-
77	January						-
78	February						-
79	March						-
80	Total	-	-	-	-	-	-
81	Tax payments						N/A
82							
83	Term credit spread differential allowance						N/A
84							
85	Closing RIV						N/A
86							
87							
88	Monthly ROI – comparable to a vanilla WACC						N/A
89							
90	Monthly ROI – comparable to a post tax WACC						N/A
91							
92	2(iv): Year-End ROI Rates for Comparison Purposes						
93							
94	Year-end ROI – comparable to a vanilla WACC						5.52%
95							
96	Year-end ROI – comparable to a post tax WACC						5.01%
97							
98	<i>* these year-end ROI values are comparable to the ROI reported in pre 2012 disclosures by EDBs and do not represent the Commission's current view on ROI.</i>						
99							
100	2(v): Financial Incentives and Wash-Ups						
101							
102	Net recoverable costs allowed under incremental rolling incentive scheme					-	
103	Purchased assets – avoided transmission charge					768	
104	Energy efficiency and demand incentive allowance						
105	Quality incentive adjustment					22	
106	Other financial incentives					-	
107	Financial incentives						790
108							
109	Impact of financial incentives on ROI						0.33%
110							
111	Input methodology claw-back					-	
112	CPP application recoverable costs					-	
113	Catastrophic event allowance					-	
114	Capex wash-up adjustment					1,386	
115	Transmission asset wash-up adjustment					-	
116	2013–15 NPV wash-up allowance					-	
117	Reconsideration event allowance					-	
118	Other wash-ups					-	
119	Wash-up costs						1,386
120							
121	Impact of wash-up costs on ROI						0.58%

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SCHEDULE 3: REPORT ON REGULATORY PROFIT

This schedule requires information on the calculation of regulatory profit for the EDB for the disclosure year. All EDBs must complete all sections and provide explanatory comment on their regulatory profit in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref		(\$000)
7	3(i): Regulatory Profit	(\$000)
8	Income	
9	Line charge revenue	37,945
10	plus Gains / (losses) on asset disposals	(73)
11	plus Other regulated income (other than gains / (losses) on asset disposals)	195
12		
13	Total regulatory income	38,068
14	Expenses	
15	less Operational expenditure	8,660
16		
17	less Pass-through and recoverable costs excluding financial incentives and wash-ups	9,167
18		
19	Operating surplus / (deficit)	20,241
20		
21	less Total depreciation	7,712
22		
23	plus Total revaluations	2,766
24		
25	Regulatory profit / (loss) before tax	15,295
26		
27	less Term credit spread differential allowance	-
28		
29	less Regulatory tax allowance	3,147
30		
31	Regulatory profit/(loss) including financial incentives and wash-ups	12,148
32		
33	3(ii): Pass-through and Recoverable Costs excluding Financial Incentives and Wash-Ups	(\$000)
34	Pass through costs	
35	Rates	146
36	Commerce Act levies	79
37	Industry levies	83
38	CPP specified pass through costs	-
39	Recoverable costs excluding financial incentives and wash-ups	
40	Electricity lines service charge payable to Transpower	7,219
41	Transpower new investment contract charges	238
42	System operator services	-
43	Distributed generation allowance	1,402
44	Extended reserves allowance	-
45	Other recoverable costs excluding financial incentives and wash-ups	-
46	Pass-through and recoverable costs excluding financial incentives and wash-ups	9,167
47		
48	3(iii): Incremental Rolling Incentive Scheme	(\$000)
49		
50		
51	Allowed controllable opex	-
52	Actual controllable opex	-
53		
54	Incremental change in year	-
55		
56		
57	CY-5 31 Mar 14	-
58	CY-4 31 Mar 15	-
59	CY-3 31 Mar 16	-
60	CY-2 31 Mar 17	-
61	CY-1 31 Mar 18	-
62	Net incremental rolling incentive scheme	-
63		
64	Net recoverable costs allowed under incremental rolling incentive scheme	-
65	3(iv): Merger and Acquisition Expenditure	(\$000)
66	Merger and acquisition expenditure	-
67		
68	<i>Provide commentary on the benefits of merger and acquisition expenditure to the electricity distribution business, including required disclosures in accordance with section 2.7, in Schedule 14 (Mandatory Explanatory Notes)</i>	
69	3(v): Other Disclosures	(\$000)
70		
71	Self-insurance allowance	-

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SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. EDIs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

4(i): Regulatory Asset Base Value (Rolled Forward)		for year ended				
		RAB 31 Mar 15 (\$000)	RAB 31 Mar 16 (\$000)	RAB 31 Mar 17 (\$000)	RAB 31 Mar 18 (\$000)	RAB 31 Mar 19 (\$000)
10	Total opening RAB value	147,443	163,642	168,273	179,022	186,531
12	less Total depreciation	6,858	7,291	7,496	6,647	7,712
14	plus Total revaluations	123	960	3,643	1,967	2,766
16	plus Assets commissioned	23,814	11,027	14,776	12,346	12,937
18	less Asset disposals	880	65	173	157	80
20	plus Lost and found assets adjustment	-	-	-	-	-
22	plus Adjustment resulting from asset allocation	(0)	0	(0)	(0)	(0)
24	Total closing RAB value	163,642	168,273	179,022	186,531	194,442

4(ii): Unallocated Regulatory Asset Base		Unallocated RAB *		RAB	
		(\$000)	(\$000)	(\$000)	(\$000)
29	Total opening RAB value	186,531	186,531	186,531	186,531
31	less Total depreciation	7,712	7,712	7,712	7,712
33	plus Total revaluations	2,766	2,766	2,766	2,766
35	Assets commissioned (other than below)	-	-	-	-
36	Assets acquired from a regulated supplier	-	-	-	-
37	Assets acquired from a related party	12,937	12,937	12,937	12,937
38	Assets commissioned	12,937	12,937	12,937	12,937
40	less Asset disposals (other than below)	80	80	80	80
41	Asset disposals to a regulated supplier	-	-	-	-
42	Asset disposals to a related party	-	-	-	-
43	Asset disposals	80	80	80	80
44	plus Lost and found assets adjustment	-	-	-	-
47	plus Adjustment resulting from asset allocation	-	-	-	(0)
49	Total closing RAB value	194,442	194,442	194,442	194,442

* The 'unallocated RAB' is the total value of those assets used wholly or partially to provide electricity distribution services without any allowance being made for the allocation of costs to services provided by the supplier that are not electricity distribution services. The RAB value represents the value of these assets after applying this cost allocation. Neither value includes works under construction.

4(iii): Calculation of Revaluation Rate and Revaluation of Assets		Unallocated RAB *		RAB	
		(\$000)	(\$000)	(\$000)	(\$000)
59	Total opening RAB value	186,531	186,531	186,531	186,531
60	less Opening value of fully depreciated, disposed and lost assets	119	119	119	119
63	Total opening RAB value subject to revaluation	186,412	186,412	186,412	186,412
65	Total revaluations	2,766	2,766	2,766	2,766

4(iv): Roll Forward of Works Under Construction		Unallocated works under construction		Allocated works under construction	
		(\$000)	(\$000)	(\$000)	(\$000)
68	Works under construction—preceding disclosure year	3,966	3,966	3,966	3,966
69	plus Capital expenditure	15,543	15,543	15,543	15,543
70	less Assets commissioned	12,937	12,937	12,937	12,937
71	plus Adjustment resulting from asset allocation	-	-	-	-
72	Works under construction - current disclosure year	6,572	6,572	6,572	6,572
74	Highest rate of capitalised finance applied	-	-	-	-



76	4(v): Regulatory Depreciation		Unallocated RAB *		RAB						
77			(\$000)	(\$000)	(\$000)	(\$000)					
78	Depreciation - standard		7,712		7,712						
79	Depreciation - no standard life assets		-		-						
80	Depreciation - modified life assets		-		-						
81	Depreciation - alternative depreciation in accordance with CPP		-		-						
82	Total depreciation		7,712		7,712						
83											
84											
85	4(vi): Disclosure of Changes to Depreciation Profiles		(\$000 unless otherwise specified)								
86	Asset or assets with changes to depreciation*	Reason for non-standard depreciation (text entry)	Depreciation charge for the period (RAB)	Closing RAB value under 'non-standard' depreciation	Closing RAB value under 'standard' depreciation						
87											
88											
89											
90											
91											
92											
93											
94											
95	* include additional rows if needed										
96	4(vii): Disclosure by Asset Category		(\$000 unless otherwise specified)								
97											
98		Subtransmission lines	Subtransmission cables	Zone substations	Distribution and LV lines	Distribution and LV cables	Distribution substations and transformers	Distribution switchgear	Other network assets	Non-network assets	Total
99	Total opening RAB value	2,1120	1,202	30,085	80,728	8,866	20,721	8,518	2,490	1,129	186,531
100	less: Total depreciation	1,155	26	1,352	3,621	239	245	430	85	61	7,212
101	plus: Total revaluations	321	17	460	1,334	140	292	138	46	17	2,766
102	plus: Assets commissioned	507	2	2,765	6,446	890	695	1,350	271	-	12,937
103	less: Asset disposals	-	-	13	-	-	66	-	-	-	80
104	plus: Lost and found assets adjustment	-	-	-	-	-	-	-	-	-	-
105	plus: Adjustment resulting from asset allocation	-	-	-	-	-	-	-	-	-	-
106	plus: Asset category transfers	-	-	-	-	-	-	-	-	-	-
107	Total closing RAB value	22,843	1,196	33,946	94,437	9,667	20,898	9,596	2,723	1,136	194,442
108											
109	Asset Life										
110	Weighted average remaining asset life	29.4	51.5	37.4	29.3	44.6	28.8	31.9	27.0	28.4	(years)
111	Weighted average expected total asset life	54.9	54.6	51.6	56.2	50.1	50.0	38.8	40.2	58.6	(years)

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SCHEDULE 5a: REPORT ON REGULATORY TAX ALLOWANCE

This schedule requires information on the calculation of the regulatory tax allowance. This information is used to calculate regulatory profit/loss in Schedule 3 (regulatory profit). EDBs must provide explanatory commentary on the information disclosed in this schedule, in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref			(\$000)
7	5a(i): Regulatory Tax Allowance		
8	Regulatory profit / (loss) before tax		15,295
9			
10	<i>plus</i> Income not included in regulatory profit / (loss) before tax but taxable	-	*
11	Expenditure or loss in regulatory profit / (loss) before tax but not deductible	-	*
12	Amortisation of initial differences in asset values	1,344	
13	Amortisation of revaluations	551	
14			1,894
15			
16	<i>less</i> Total revaluations	2,766	
17	Income included in regulatory profit / (loss) before tax but not taxable	-	*
18	Discretionary discounts and customer rebates	-	
19	Expenditure or loss deductible but not in regulatory profit / (loss) before tax	83	*
20	Notional deductible interest	3,101	
21			5,950
22			
23	Regulatory taxable income		11,240
24			
25	<i>less</i> Utilised tax losses	-	
26	Regulatory net taxable income		11,240
27			
28	Corporate tax rate (%)	28%	
29	Regulatory tax allowance		3,147
30			
31	* Workings to be provided in Schedule 14		
32	5a(ii): Disclosure of Permanent Differences		
33	In Schedule 14, Box 5, provide descriptions and workings of items recorded in the asterisked categories in Schedule 5a(i).		
34	5a(iii): Amortisation of Initial Difference in Asset Values		(\$000)
35			
36	Opening unamortised initial differences in asset values	29,558	
37	<i>less</i> Amortisation of initial differences in asset values	1,344	
38	<i>plus</i> Adjustment for unamortised initial differences in assets acquired	-	
39	<i>less</i> Adjustment for unamortised initial differences in assets disposed	41	
40	Closing unamortised initial differences in asset values		28,173
41			
42	Opening weighted average remaining useful life of relevant assets (years)		22
43			

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SCHEDULE 5b: REPORT ON RELATED PARTY TRANSACTIONS

This schedule provides information on the valuation of related party transactions, in accordance with clause 2.3.6 of the ID determination.
 This information is part of audited disclosure information (as defined in clause 1.4 of the ID determination), and so is subject to the assurance report required by clause 2.8.

sch ref

5b(i): Summary—Related Party Transactions		(\$000)	(\$000)
7	Total regulatory income		-
8			
9			
10	Market value of asset disposals		-
11			
12	Service interruptions and emergencies	2,074	
13	Vegetation management	1,582	
14	Routine and corrective maintenance and inspection	1,703	
15	Asset replacement and renewal (opex)	121	
16	Network opex		5,480
17	Business support	1,525	
18	System operations and network support	857	
19	Operational expenditure		7,862
20	Consumer connection	3,757	
21	System growth	271	
22	Asset replacement and renewal (capex)	6,456	
23	Asset relocations	-	
24	Quality of supply	1,669	
25	Legislative and regulatory	-	
26	Other reliability, safety and environment	3,005	
27	Expenditure on non-network assets		-
28	Expenditure on assets		15,158
29	Cost of financing		-
30	Value of capital contributions		-
31	Value of vested assets		-
32	Capital Expenditure		15,158
33	Total expenditure		23,019
34			
35	Other related party transactions		-

5b(iii): Total Opex and Capex Related Party Transactions

Name of related party	Nature of opex or capex service provided	Total value of transactions (\$000)
PowerNet Limited	Service interruptions and emergencies	2,049
PowerNet Limited	Vegetation management	1,582
PowerNet Limited	Routine and corrective maintenance and inspection	1,683
PowerNet Limited	Asset replacement and renewal (opex)	121
PowerNet Central Limited	Service interruptions and emergencies	25
PowerNet Central Limited	Routine and corrective maintenance and inspection	20
PowerNet Limited	Business support	1,525
PowerNet Limited	System operations and network support	857
PowerNet Limited	Consumer connection	1,007
PowerNet Limited	System growth	31
PowerNet Limited	Asset replacement and renewal (capex)	6,451
PowerNet Limited	Quality of supply	1,669
PowerNet Limited	Other reliability, safety and environment	3,005
PowerNet Central Limited	Consumer connection	2,750
PowerNet Central Limited	System growth	240
PowerNet Central Limited	Asset replacement and renewal (capex)	5
Total value of related party transactions		23,019

* include additional rows if needed

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SCHEDULE 5c: REPORT ON TERM CREDIT SPREAD DIFFERENTIAL ALLOWANCE

This schedule is only to be completed if, as at the date of the most recently published financial statements, the weighted average original tenor of the debt portfolio (both qualifying debt and non-qualifying debt) is greater than five years. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7
8 **5c(i): Qualifying Debt (may be Commission only)**
9

10	Issuing party	Issue date	Pricing date	Original tenor (in years)	Coupon rate (%)	Book value at issue date (NZD)	Book value at date of financial statements (NZD)	Term Credit Spread Difference	Debt issue cost readjustment	
11										
12										
13										
14										
15										
16	* include additional rows if needed							-	-	-

17
18 **5c(ii): Attribution of Term Credit Spread Differential**

19	Gross term credit spread differential		-
20			
21	Total book value of interest bearing debt		
22	Leverage	42%	
23	Average opening and closing RAB values		
24	Attribution Rate (%)		-
25			
26	Term credit spread differential allowance		-
27			

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 For Year Ended **31 March 2019**

SCHEDULE 5d: REPORT ON COST ALLOCATIONS

This schedule provides information on the allocation of operational costs. EDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref	5d(i): Operating Cost Allocations	Value allocated (\$000s)				
		Arm's length deduction	Electricity distribution services	Non-electricity distribution services	Total	OVABAA allocation increase (\$000s)
7	Service interruptions and emergencies					
11	Directly attributable		2,074			
12	Not directly attributable					
13	Total attributable to regulated service		2,074			
14	Vegetation management					
15	Directly attributable		1,582			
16	Not directly attributable					
17	Total attributable to regulated service		1,582			
18	Routine and corrective maintenance and inspection					
19	Directly attributable		1,756			
20	Not directly attributable					
21	Total attributable to regulated service		1,756			
22	Asset replacement and renewal					
23	Directly attributable		121			
24	Not directly attributable					
25	Total attributable to regulated service		121			
26	System operations and network support					
27	Directly attributable		1,148			
28	Not directly attributable					
29	Total attributable to regulated service		1,148			
30	Business support					
31	Directly attributable		1,979			
32	Not directly attributable					
33	Total attributable to regulated service		1,979			
34						
35	Operating costs directly attributable		8,660			
36	Operating costs not directly attributable					
37	Operational expenditure		8,660			
38						
39	5d(ii): Other Cost Allocations					
40	Pass through and recoverable costs					
41	Pass through costs					
42	Directly attributable		308			
43	Not directly attributable					
44	Total attributable to regulated service		308			
45	Recoverable costs					
46	Directly attributable		8,859			
47	Not directly attributable					
48	Total attributable to regulated service		8,859			
49						
50	5d(iii): Changes in Cost Allocations* †					
51						
52	Change in cost allocation 1					
53	Cost category					
54	Original allocator or line items			Original allocation	CY-1	Current Year (CY)
55	New allocator or line items			New allocation		
56				Difference		
57	Rationale for change					
58						
59						
60						
61	Change in cost allocation 2					
62	Cost category					
63	Original allocator or line items			Original allocation	CY-1	Current Year (CY)
64	New allocator or line items			New allocation		
65				Difference		
66	Rationale for change					
67						
68						
69						
70	Change in cost allocation 3					
71	Cost category					
72	Original allocator or line items			Original allocation	CY-1	Current Year (CY)
73	New allocator or line items			New allocation		
74				Difference		
75	Rationale for change					
76						
77						
78						
79						

* a change in cost allocation must be completed for each cost allocator change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or component.
 † include additional rows if needed

Company Name **OtagoNet Joint Venture**
 For Year Ended **31 March 2019**

SCHEDULE 5e: REPORT ON ASSET ALLOCATIONS

This schedule requires information on the allocation of asset values. This information supports the calculation of the RAB value in Schedule 4. EDBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any changes in asset allocations. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref		Value allocated (\$000s)
7	5e(i): Regulated Service Asset Values	
8		Electricity distribution services
9		
10	Subtransmission lines	
11	Directly attributable	22,843
12	Not directly attributable	-
13	Total attributable to regulated service	22,843
14	Subtransmission cables	
15	Directly attributable	1,196
16	Not directly attributable	-
17	Total attributable to regulated service	1,196
18	Zone substations	
19	Directly attributable	31,946
20	Not directly attributable	-
21	Total attributable to regulated service	31,946
22	Distribution and LV lines	
23	Directly attributable	94,437
24	Not directly attributable	-
25	Total attributable to regulated service	94,437
26	Distribution and LV cables	
27	Directly attributable	9,667
28	Not directly attributable	-
29	Total attributable to regulated service	9,667
30	Distribution substations and transformers	
31	Directly attributable	20,898
32	Not directly attributable	-
33	Total attributable to regulated service	20,898
34	Distribution switchgear	
35	Directly attributable	9,596
36	Not directly attributable	-
37	Total attributable to regulated service	9,596
38	Other network assets	
39	Directly attributable	2,723
40	Not directly attributable	-
41	Total attributable to regulated service	2,723
42	Non-network assets	
43	Directly attributable	1,136
44	Not directly attributable	-
45	Total attributable to regulated service	1,136
46		
47	Regulated service asset value directly attributable	194,442
48	Regulated service asset value not directly attributable	-
49	Total closing RAB value	194,442
50		

5e(ii): Changes in Asset Allocations* †		(\$000)	
		CY-1	Current Year (CY)
53	Change in asset value allocation 1		
54	Asset category	Original allocation	-
55	Original allocator or line items	New allocation	-
56	New allocator or line items	Difference	-
57			
58	Rationale for change		
59			
60			
61			
62	Change in asset value allocation 2		
63	Asset category	Original allocation	-
64	Original allocator or line items	New allocation	-
65	New allocator or line items	Difference	-
66			
67	Rationale for change		
68			
69			
70			
71	Change in asset value allocation 3		
72	Asset category	Original allocation	-
73	Original allocator or line items	New allocation	-
74	New allocator or line items	Difference	-
75			
76	Rationale for change		
77			
78			

* a change in asset allocation must be completed for each allocator or component change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or component.
 † include additional rows if needed

Company Name **OtagoNet Joint Venture**
 For Year Ended **31 March 2019**

SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs. EDBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory Notes to Templates).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref		(\$000)	(\$000)
7	6a(i): Expenditure on Assets		
8	Consumer connection		4,761
9	System growth		285
10	Asset replacement and renewal		6,456
11	Asset relocations		-
12	Reliability, safety and environment:		
13	Quality of supply	1,669	
14	Legislative and regulatory	-	
15	Other reliability, safety and environment	3,005	
16	Total reliability, safety and environment		4,674
17	Expenditure on network assets		16,177
18	Expenditure on non-network assets		-
19			
20	Expenditure on assets		16,177
21	plus Cost of financing		-
22	less Value of capital contributions		634
23	plus Value of vested assets		-
24			
25	Capital expenditure		15,543
26	6a(ii): Subcomponents of Expenditure on Assets (where known)		(\$000)
27	Energy efficiency and demand side management, reduction of energy losses		-
28	Overhead to underground conversion		-
29	Research and development		-
30	6a(iii): Consumer Connection		
31	<i>Consumer types defined by EDB*</i>	(\$000)	(\$000)
32	Customer Connections < 20 kVA	667	
33	Customer Connections 21 - 99 kVA	236	
34	Customer Connections > 100 kVA	260	
35	New Subdivisions	3,598	
36		-	
37	<i>* include additional rows if needed</i>		
38	Consumer connection expenditure		4,761
39			
40	less Capital contributions funding consumer connection expenditure	619	
41	Consumer connection less capital contributions		4,143
42	6a(iv): System Growth and Asset Replacement and Renewal		
43		System Growth	Asset Replacement and Renewal
44		(\$000)	(\$000)
45	Subtransmission	-	1,047
46	Zone substations	27	621
47	Distribution and LV lines	4	4,788
48	Distribution and LV cables	254	-
49	Distribution substations and transformers	-	-
50	Distribution switchgear	-	-
51	Other network assets	-	-
52	System growth and asset replacement and renewal expenditure	285	6,456
53	less Capital contributions funding system growth and asset replacement and renewal	-	15
54	System growth and asset replacement and renewal less capital contributions	285	6,440
55			
56	6a(v): Asset Relocations		
57	<i>Project or programme*</i>	(\$000)	(\$000)
58		-	
59		-	
60		-	
61		-	
62		-	
63	<i>* include additional rows if needed</i>		
64	All other projects or programmes - asset relocations	-	
65	Asset relocations expenditure		-
66	less Capital contributions funding asset relocations	-	
67	Asset relocations less capital contributions		-

68				
69	6a(vi): Quality of Supply			
70	<i>Project or programme*</i>		(\$000)	(\$000)
71	Reclosers with SCADA Integration		753	
72	Finegand 33kV Smart Network Automation		180	
73	Stirling 33kV Smart Network Automation		103	
74	Merton & Waitati 33kV Smart Network Automation		55	
75	Waipiata & Hyde 33kV Smart Network Automation		572	
76	<i>* include additional rows if needed</i>			
77	All other projects programmes - quality of supply		6	
78	Quality of supply expenditure			1,669
79	<i>less</i> Capital contributions funding quality of supply		-	
80	Quality of supply less capital contributions			1,669
81	6a(vii): Legislative and Regulatory			
82	<i>Project or programme*</i>		(\$000)	(\$000)
83			-	
84			-	
85			-	
86			-	
87			-	
88	<i>* include additional rows if needed</i>			
89	All other projects or programmes - legislative and regulatory		-	
90	Legislative and regulatory expenditure			-
91	<i>less</i> Capital contributions funding legislative and regulatory		-	
92	Legislative and regulatory less capital contributions			-
93	6a(viii): Other Reliability, Safety and Environment			
94	<i>Project or programme*</i>		(\$000)	(\$000)
95	Substation Structure and Seismic Upgrades		247	
96	Substation NERs and 33kV Transformer Circuit Breakers		765	
97	Milton 33kV Ring Protection Upgrade		45	
98	Clydevale 33kV Ring Rebuild and Protection		1,725	
99	Substation Arc Flash Upgrade		94	
100	<i>* include additional rows if needed</i>			
101	All other projects or programmes - other reliability, safety and environment		129	
102	Other reliability, safety and environment expenditure			3,005
103	<i>less</i> Capital contributions funding other reliability, safety and environment		-	
104	Other reliability, safety and environment less capital contributions			3,005
105				
106	6a(ix): Non-Network Assets			
107	Routine expenditure			
108	<i>Project or programme*</i>		(\$000)	(\$000)
109			-	
110			-	
111			-	
112			-	
113			-	
114	<i>* include additional rows if needed</i>			
115	All other projects or programmes - routine expenditure		-	
116	Routine expenditure			-
117	Atypical expenditure			
118	<i>Project or programme*</i>		(\$000)	(\$000)
119			-	
120			-	
121			-	
122			-	
123			-	
124	<i>* include additional rows if needed</i>			
125	All other projects or programmes - atypical expenditure		-	
126	Atypical expenditure			-
127				
128	Expenditure on non-network assets			-

Company Name **OtagoNet Joint Venture**
 For Year Ended **31 March 2019**

SCHEDULE 6b: REPORT ON OPERATIONAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of operational expenditure incurred in the disclosure year. EDBs must provide explanatory comment on their operational expenditure in Schedule 14 (Explanatory notes to templates). This includes explanatory comment on any atypical operational expenditure and assets replaced or renewed as part of asset replacement and renewal operational expenditure, and additional information on insurance. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		(\$000)	(\$000)	
7	6b(i): Operational Expenditure			
8	Service interruptions and emergencies	2,074		
9	Vegetation management	1,582		
10	Routine and corrective maintenance and inspection	1,756		
11	Asset replacement and renewal	121		
12	Network opex		5,532	
13	System operations and network support	1,148		
14	Business support	1,979		
15	Non-network opex		3,127	
16				
17	Operational expenditure		8,660	
18	6b(ii): Subcomponents of Operational Expenditure (where known)			
19	Energy efficiency and demand side management, reduction of energy losses		-	
20	Direct billing*		-	
21	Research and development		-	
22	Insurance		161	
23	* Direct billing expenditure by suppliers that directly bill the majority of their consumers			

Company Name	OtagoNet Joint Venture
For Year Ended	31 March 2019

SCHEDULE 7: COMPARISON OF FORECASTS TO ACTUAL EXPENDITURE

This schedule compares actual revenue and expenditure to the previous forecasts that were made for the disclosure year. Accordingly, this schedule requires the forecast revenue and expenditure information from previous disclosures to be inserted. EDBs must provide explanatory comment on the variance between actual and target revenue and forecast expenditure in Schedule 14 (Mandatory Explanatory Notes). This information is part of the audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8. For the purpose of this audit, target revenue and forecast expenditures only need to be verified back to previous disclosures.

sch ref

7	7(i): Revenue	Target (\$000) ¹	Actual (\$000)	% variance	
8	Line charge revenue	38,146	37,945	(1%)	
9	7(ii): Expenditure on Assets	Forecast (\$000) ²	Actual (\$000)	% variance	
10	Consumer connection	3,578	4,761	33%	
11	System growth	446	285	(36%)	
12	Asset replacement and renewal	7,282	6,456	(11%)	
13	Asset relocations	54	-	(100%)	
14	Reliability, safety and environment:				
15	Quality of supply	1,972	1,669	(15%)	
16	Legislative and regulatory	-	-	-	
17	Other reliability, safety and environment	3,656	3,005	(18%)	
18	Total reliability, safety and environment	5,628	4,674	(17%)	
19	Expenditure on network assets	16,988	16,177	(5%)	
20	Expenditure on non-network assets	4,601	-	(100%)	
21	Expenditure on assets	21,589	16,177	(25%)	
22	7(iii): Operational Expenditure				
23	Service interruptions and emergencies	1,781	2,074	16%	
24	Vegetation management	1,192	1,582	33%	
25	Routine and corrective maintenance and inspection	2,130	1,756	(18%)	
26	Asset replacement and renewal	226	121	(47%)	
27	Network opex	5,329	5,532	4%	
28	System operations and network support	1,597	1,148	(28%)	
29	Business support	1,879	1,979	5%	
30	Non-network opex	3,476	3,127	(10%)	
31	Operational expenditure	8,805	8,660	(2%)	
32	7(iv): Subcomponents of Expenditure on Assets (where known)				
33	Energy efficiency and demand side management, reduction of energy losses	-	-	-	
34	Overhead to underground conversion	27	-	(100%)	
35	Research and development	-	-	-	
36					
37	7(v): Subcomponents of Operational Expenditure (where known)				
38	Energy efficiency and demand side management, reduction of energy losses	-	-	-	
39	Direct billing	-	-	-	
40	Research and development	-	-	-	
41	Insurance	576	161	(72%)	
42					
43	<i>1 From the nominal dollar target revenue for the disclosure year disclosed under clause 2.4.3(3) of this determination</i>				
44	<i>2 From the CY+1 nominal dollar expenditure forecasts disclosed in accordance with clause 2.6.6 for the forecast period starting at the beginning of the disclosure year (the second to last disclosure of Schedules 11a and 11b)</i>				

8(ii): Line Charge Revenues (\$000) by Price Component

Consumer group name or price category code	Consumer type or types (e.g. residential, commercial, etc.)	Standard or non-standard consumer group (specify)	Total line charge revenue in disclosure year	National revenue foregone from posted discounts (if applicable)	Total transmission line charge revenue (if available)	Rate (e.g. \$ per day, \$ per kWh, etc.)	Line charge revenues (\$000) by price component					Add extra columns for additional line charge components as necessary	
							Fixed	Variable - Day	Variable - Night	Res	Fixed	Variable	
							\$/Day	\$/kwh	\$/MWh	Per kWh	\$/MWh	\$/MWh	
37	1 Domestic	Standard	\$9,273		\$8,940			\$5,133	\$274	\$4,466			
38	2 Commercial	Standard	\$1,688		\$1,638			\$6,251	\$273	\$5,164			
39	3 Water Customers	Standard	\$4,273		\$1,855		\$1,276	\$1,047					
40	4 Unmetered	Standard	\$36		\$12			\$15	\$1				
41	5 Street Lights	Standard	\$146		\$136			\$13	\$1				
42	Low user	Standard	\$5,342		\$4,864			\$4,900	\$170				
43	Commercial	Non-standard	\$3,929		\$535			\$272					
44	Generation	Standard	\$359		\$347			\$159					
45	Domestic	Standard	\$987		\$791			\$68					
46	Non Domestic	Standard	\$873		\$700			\$704					
47	Half Hour	Standard	\$488		\$235			\$488				\$479	
48	Standard consumer totals		\$34,016		\$28,538			\$17,359	\$669	\$9,830	\$479	\$919	
49	Non-standard consumer totals		\$3,929		\$535			—	—	—	—	—	
50	Total for all consumers		\$37,945		\$29,073			\$17,359	\$669	\$9,830	\$479	\$919	

8(iii): Number of ICPS directly billed

Number of directly billed ICPS at year end	1	OK
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Company Name	OtagoNet Joint Venture
For Year Ended	31 March 2019
Network / Sub-network Name	

SCHEDULE 9a: ASSET REGISTER

This schedule requires a summary of the quantity of assets that make up the network, by asset category and asset class. All units relating to cable and line assets, that are expressed in km, refer to circuit lengths.

sch ref	Voltage	Asset category	Asset class	Units	Items at start of	Items at end of	Net change	Data accuracy
					year (quantity)	year (quantity)		(1-4)
8	All	Overhead Line	Concrete poles / steel structure	No.	33,671	34,109	438	3
9	All	Overhead Line	Wood poles	No.	15,596	15,381	(215)	3
10	All	Overhead Line	Other pole types	No.	-	-	-	N/A
11	HV	Subtransmission Line	Subtransmission OH up to 66kV conductor	km	659	659	0	3
12	HV	Subtransmission Line	Subtransmission OH 110kV+ conductor	km	47	47	-	3
13	HV	Subtransmission Cable	Subtransmission UG up to 66kV (XLPE)	km	9	9	(0)	4
14	HV	Subtransmission Cable	Subtransmission UG up to 66kV (Oil pressurised)	km	-	-	-	N/A
15	HV	Subtransmission Cable	Subtransmission UG up to 66kV (Gas pressurised)	km	-	-	-	N/A
16	HV	Subtransmission Cable	Subtransmission UG up to 66kV (PILC)	km	-	-	-	N/A
17	HV	Subtransmission Cable	Subtransmission UG 110kV+ (XLPE)	km	-	-	-	N/A
18	HV	Subtransmission Cable	Subtransmission UG 110kV+ (Oil pressurised)	km	-	-	-	N/A
19	HV	Subtransmission Cable	Subtransmission UG 110kV+ (Gas Pressurised)	km	-	-	-	N/A
20	HV	Subtransmission Cable	Subtransmission UG 110kV+ (PILC)	km	-	-	-	N/A
21	HV	Subtransmission Cable	Subtransmission submarine cable	km	-	-	-	N/A
22	HV	Zone substation Buildings	Zone substations up to 66kV	No.	45	45	-	3
23	HV	Zone substation Buildings	Zone substations 110kV+	No.	1	1	-	3
24	HV	Zone substation switchgear	50/66/110kV CB (Indoor)	No.	-	-	-	N/A
25	HV	Zone substation switchgear	50/66/110kV CB (Outdoor)	No.	8	8	-	4
26	HV	Zone substation switchgear	33kV Switch (Ground Mounted)	No.	-	-	-	N/A
27	HV	Zone substation switchgear	33kV Switch (Pole Mounted)	No.	172	179	7	3
28	HV	Zone substation switchgear	33kV RMU	No.	-	-	-	N/A
29	HV	Zone substation switchgear	22/33kV CB (Indoor)	No.	7	7	-	4
30	HV	Zone substation switchgear	22/33kV CB (Outdoor)	No.	29	32	3	4
31	HV	Zone substation switchgear	3.3/6.6/11/22kV CB (ground mounted)	No.	116	116	-	4
32	HV	Zone substation switchgear	3.3/6.6/11/22kV CB (pole mounted)	No.	3	3	-	4
33	HV	Zone Substation Transformer	Zone Substation Transformers	No.	45	45	-	4
34	HV	Distribution Line	Distribution OH Open Wire Conductor	km	2,348	2,346	(2)	3
35	HV	Distribution Line	Distribution OH Aerial Cable Conductor	km	-	-	-	N/A
36	HV	Distribution Line	SWER conductor	km	910	911	1	3
37	HV	Distribution Cable	Distribution UG XLPE or PVC	km	69	73	4	3
38	HV	Distribution Cable	Distribution UG PILC	km	5	5	0	3
39	HV	Distribution Cable	Distribution Submarine Cable	km	-	-	-	N/A
40	HV	Distribution switchgear	3.3/6.6/11/22kV CB (pole mounted) - reclosers and sectionalisers	No.	15	24	9	4
41	HV	Distribution switchgear	3.3/6.6/11/22kV CB (Indoor)	No.	-	-	-	N/A
42	HV	Distribution switchgear	3.3/6.6/11/22kV Switches and fuses (pole mounted)	No.	4,813	4,859	46	3
43	HV	Distribution switchgear	3.3/6.6/11/22kV Switch (ground mounted) - except RMU	No.	-	-	-	N/A
44	HV	Distribution switchgear	3.3/6.6/11/22kV RMU	No.	52	72	20	4
45	HV	Distribution Transformer	Pole Mounted Transformer	No.	4,047	4,061	14	3
46	HV	Distribution Transformer	Ground Mounted Transformer	No.	265	271	6	3
47	HV	Distribution Transformer	Voltage regulators	No.	42	42	-	4
48	HV	Distribution Substations	Ground Mounted Substation Housing	No.	17	18	1	3
49	LV	LV Line	LV OH Conductor	km	468	470	2	2
50	LV	LV Cable	LV UG Cable	km	72	86	14	3
51	LV	LV Street lighting	LV OH/UG Streetlight circuit	km	84	84	1	3
52	LV	Connections	OH/UG consumer service connections	No.	17,131	17,766	635	2
53	All	Protection	Protection relays (electromechanical, solid state and numeric)	No.	211	228	17	3
54	All	SCADA and communications	SCADA and communications equipment operating as a single system	Lot	2	2	-	4
55	All	Capacitor Banks	Capacitors including controls	No.	-	-	-	N/A
56	All	Load Control	Centralised plant	Lot	4	4	-	4
57	All	Load Control	Relays	No.	-	-	-	N/A
58	All	Civils	Cable Tunnels	km	-	-	-	N/A

SCHEDULE 9B - ASSET AGE PROFILE		Company Name OtagoNet Joint Venture		For Year Ended 31 March 2019																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
This schedule represents a summary of the age profile (based on year of installation) of the assets that make up the network. All units are in gigabits and are listed by asset category and asset class. All units are in gigabits and are listed by asset category and asset class. All units are in gigabits and are listed by asset category and asset class.		Network / Job network Name																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Delivered Year (per asset)		Number of assets at disclosure year end by installation date																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Year	Asset Category	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798

Company Name	OtagoNet Joint Venture
For Year Ended	31 March 2019
Network / Sub-network Name	

SCHEDULE 9c: REPORT ON OVERHEAD LINES AND UNDERGROUND CABLES

This schedule requires a summary of the key characteristics of the overhead line and underground cable network. All units relating to cable and line assets, that are expressed in km, refer to circuit lengths.

sch ref		Total circuit length	
		Overhead (km)	Underground (km)
9			
10	Circuit length by operating voltage (at year end)		
11	> 66kV	47	–
12	50kV & 66kV	75	–
13	33kV	584	9
14	SWER (all SWER voltages)	908	3
15	22kV (other than SWER)	0	38
16	6.6kV to 11kV (inclusive—other than SWER)	2,346	40
17	Low voltage (< 1kV)	470	86
18	Total circuit length (for supply)	4,429	176
19			
20	Dedicated street lighting circuit length (km)	74	11
21	Circuit in sensitive areas (conservation areas, iwi territory etc) (km)		–
22			
23	Overhead circuit length by terrain (at year end)		
24	Urban	327	7%
25	Rural	879	20%
26	Remote only	587	13%
27	Rugged only	1,824	41%
28	Remote and rugged	676	15%
29	Unallocated overhead lines	136	3%
30	Total overhead length	4,429	100%
31			
32			
33	Length of circuit within 10km of coastline or geothermal areas (where known)	1,112	24%
34			
35	Overhead circuit requiring vegetation management	596	13%

Company Name **OtagoNet Joint Venture**
 For Year Ended **31 March 2019**

SCHEDULE 9d: REPORT ON EMBEDDED NETWORKS

This schedule requires information concerning embedded networks owned by an EDB that are embedded in another EDB's network or in another embedded network.

sch ref

8	Location *	Line charge revenue	
		Number of ICPs served	(\$000)
9	Wanaka GXP NLK0111 [used Average ICP Count as per Schedule 8(i)]	97	16
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26	* Extend embedded distribution networks table as necessary to disclose each embedded network owned by the EDB which is embedded in another EDB's network or in another embedded network		

Company Name **OtagoNet Joint Venture**

For Year Ended **31 March 2019**

Network / Sub-network Name

SCHEDULE 9e: REPORT ON NETWORK DEMAND

This schedule requires a summary of the key measures of network utilisation for the disclosure year (number of new connections including distributed generation, peak demand and electricity volumes conveyed).

sch ref

8	9e(i): Consumer Connections		
9	Number of ICPs connected in year by consumer type		
10		Number of	
11	<i>Consumer types defined by EDB*</i>	connections (ICPs)	
12	Domestic	593	
13	Commerical	18	
14	Major Customers	2	
15	Low user	4	
16	Non Domestic	69	
17	Half Hour	-	
18			
19	Connections total	686	
20	Distributed generation		
21	Number of connections made in year	39	connections
22	Capacity of distributed generation installed in year	0.27	MVA
23			
24	9e(ii): System Demand		
25		Demand at time of	
26	Maximum coincident system demand	maximum	
27	GXP demand	47	
28	plus Distributed generation output at HV and above	21	
29	Maximum coincident system demand	68	
30	less Net transfers to (from) other EDBs at HV and above	-	
31	Demand on system for supply to consumers' connection points	68	
32		Energy (GWh)	
33	Electricity supplied from GXPs	354	
34	less Electricity exports to GXPs	-	
35	plus Electricity supplied from distributed generation	102	
36	less Net electricity supplied to (from) other EDBs	(0)	
37	Electricity entering system for supply to consumers' connection points	456	
38	less Total energy delivered to ICPs	438	
39	Electricity losses (loss ratio)	18	4.0%
40	Load factor	0.76	
41	9e(iii): Transformer Capacity		
42		(MVA)	
43	Distribution transformer capacity (EDB owned)	214	
44	Distribution transformer capacity (Non-EDB owned, estimated)	42	
45	Total distribution transformer capacity	256	
46			
47	Zone substation transformer capacity	172	

Company Name	OtagoNet Joint Venture
For Year Ended	31 March 2019
Network / Sub-network Name	

SCHEDULE 10: REPORT ON NETWORK RELIABILITY

This schedule requires a summary of the key measures of network reliability (Interruptions, SAIFI, SAIDI and fault rate) for the disclosure year. EDBs must provide explanatory comment on their network reliability for the disclosure year in Schedule 14 (Explanatory notes to templates). The SAIFI and SAIDI information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

8	10(i): Interruptions			
9	Interruptions by class	Number of interruptions		
10	Class A (planned interruptions by Transpower)	–		
11	Class B (planned interruptions on the network)	363		
12	Class C (unplanned interruptions on the network)	208		
13	Class D (unplanned interruptions by Transpower)	1		
14	Class E (unplanned interruptions of EDB owned generation)	–		
15	Class F (unplanned interruptions of generation owned by others)	–		
16	Class G (unplanned interruptions caused by another disclosing entity)	1		
17	Class H (planned interruptions caused by another disclosing entity)	–		
18	Class I (interruptions caused by parties not included above)	–		
19	Total	573		
20				
21	Interruption restoration	≤3Hrs	>3hrs	
22	Class C interruptions restored within	121	87	
23				
24	SAIFI and SAIDI by class	SAIFI	SAIDI	
25	Class A (planned interruptions by Transpower)	–	–	
26	Class B (planned interruptions on the network)	0.84	183.3	
27	Class C (unplanned interruptions on the network)	2.18	138.5	
28	Class D (unplanned interruptions by Transpower)	0.08	0.5	
29	Class E (unplanned interruptions of EDB owned generation)	–	–	
30	Class F (unplanned interruptions of generation owned by others)	–	–	
31	Class G (unplanned interruptions caused by another disclosing entity)	0.00	0.0	
32	Class H (planned interruptions caused by another disclosing entity)	–	–	
33	Class I (interruptions caused by parties not included above)	–	–	
34	Total	3.11	322.3	
35				
36	Normalised SAIFI and SAIDI	Normalised SAIFI	Normalised SAIDI	
37	Classes B & C (interruptions on the network)	3.02	321.8	
38				
39	10(ii): Class C Interruptions and Duration by Cause			
40				
41	Cause	SAIFI	SAIDI	
42	Lightning	0.04	2.8	
43	Vegetation	0.10	22.9	
44	Adverse weather	0.04	11.4	
45	Adverse environment	0.00	0.0	
46	Third party interference	0.48	12.9	
47	Wildlife	0.26	10.0	
48	Human error	0.30	3.6	
49	Defective equipment	0.72	59.0	
50	Cause unknown	0.23	16.0	
51				
52	10(iii): Class B Interruptions and Duration by Main Equipment Involved			
53				
54	Main equipment involved	SAIFI	SAIDI	
55	Subtransmission lines	0.09	9.4	
56	Subtransmission cables	–	–	
57	Subtransmission other	0.00	0.9	
58	Distribution lines (excluding LV)	0.69	163.1	
59	Distribution cables (excluding LV)	0.00	1.1	
60	Distribution other (excluding LV)	0.05	8.8	
61				
62	10(iv): Class C Interruptions and Duration by Main Equipment Involved			
63				
64	Main equipment involved	SAIFI	SAIDI	
65	Subtransmission lines	0.96	32.2	
66	Subtransmission cables	–	–	
67	Subtransmission other	0.16	7.4	
68	Distribution lines (excluding LV)	0.96	93.9	
69	Distribution cables (excluding LV)	–	–	
70	Distribution other (excluding LV)	0.11	4.9	
71				
72	10(v): Fault Rate			
73				
74	Main equipment involved	Number of Faults	Circuit length (km)	Fault rate (faults per 100km)
75	Subtransmission lines	14	706	1.98
76	Subtransmission cables	–	9	–
77	Subtransmission other	2	–	–
78	Distribution lines (excluding LV)	178	3,254	5.47
79	Distribution cables (excluding LV)	–	81	–
80	Distribution other (excluding LV)	14	–	–
81	Total	208		

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 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 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

OtagoNet achieved a post-tax WACC of 6.46% is above the 75th percentile estimate of post-tax WACC of 5.43% and 6.96% vanilla WACC is above the 75th percentile estimate of vanilla WACC of 5.94%.

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

Included in other regulated income is an amount of \$106k for rental income on Balclutha Depot.

No items were reclassified in the disclosure year.

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

There were no merger or acquisition expenses incurred in the disclosure year.

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)

The calculation of the Regulatory Asset Base (RAB) was stated using the 31 March 2018 closing figure of \$186,531k as a starting point with inflationary indexing over the year to 31 March 2019 plus additions less disposals resulting to \$194,442k RAB closing balance.

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

The expenditure deductible but not in regulatory profit is the \$83k cost of easements which is a tax deductible expense.

Income included in regulatory profit / (loss) before tax but not taxable is the \$2,768k revaluations for the year.

There are no other permanent differences.

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: Temporary differences / Tax effect of other temporary differences (current disclosure year)	
Taxable Capital Contributions:	\$ 918
	<u>\$ 918</u>
Tax Rate:	28%
Temporary Differences	<u>\$ 257</u>

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

All costs are directly attributable as all costs were either passed through by PowerNet Limited as agent or were invoiced to OtagoNet Joint Venture.

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

All network assets are directly attributable.

No items 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 materiality threshold applied to identify programmes or projects during the disclosure year was \$100k. Lower value projects with defined scope were included in the list for specific identification within categories.

No items were reclassified during the disclosure year.

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 operating 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, a 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

Reactive and minor maintenance is performed on OtagoNet transformers and lines that are classified as refurbishment and renewal maintenance when the work performed is not material in relation to the overall value of the asset.

No items were reclassified during the disclosure year.

There was no material atypical expenditure disclosed in Schedule 6b.

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 during the disclosure year. Refer to each classification under point 13 and 14 above.

Capital Expenditure on Assets:

The actual expenditure on network assets was 5% below budget.

Consumer connection:

- 33% overspend attributed to continued demand for new customer connections and growth in the Frankton area.

System Growth:

- Only 64% of the budget spent due to another EDB's microwave backbone project being delayed, impacting on the Remarkables substation communications upgrade.

Asset replacement and renewal:

- Only 89% of the budget spent mainly due to a delay in Transpower's Halfway Bush upgrade project impacting the HWB-PAL Conversion. In addition demand for line mechanics by a neighbouring network and management of planned interruptions to meet reliability limits caused an underspend in Line Replacement and Renewal.

Asset Relocations:

- Nothing spent due to no asset relocations requested by third parties.

Quality of supply:

- Only 85% of the budget spent due to the design of an enhanced protection scheme at Finegand delaying the project, and Stirling being put on hold as there is a likelihood that a capacity and security upgrade driven by an industrial customer will be required.

Other reliability, safety and environment:

- Only 82% of the budget spent as a result of the Milton 33kV Ring Protection Upgrade being put on hold. Requests from two industrial customers for significant capacity increase in the Milton area indicated that a new GXP would be required, making the Ring Protection Upgrade project redundant.

Non-network assets:

- No spend during the year on non-network assets based on the Commerce Commissions draft decision on the Default Price-Quality Paths for EDB's from 1 April 2020.

Overhead to underground conversion:

- No overhead to underground conversion during the year.

Operational Expenditure:

Network opex was 4% above budget. Overall opex was 2% below budget.

Service interruptions and emergencies:

- 16% overspent due to a larger amount of distribution faults than allowed for.

Vegetation management:

- 33% overspent mainly due to an accelerated summer programme to manage fire risk.

Routine and corrective maintenance and inspection:

- Only 82% of the budget spent mainly due to lower resource levels being available for line inspections and technical resources being diverted to capital Quality of Supply projects.

Asset replacement and renewal:

- Only 53% of the budget spent due to a focus on capital pole replacements diverting resources away from line maintenance.

System Operations and Network Support:

- 28% underspent mainly due to the proposed insurance captive for the network line and cables not implemented during the year.

Business Support:

- 5% overspent which is a minor variation representing \$100k more operation expenditure during the year.

Information relating to revenue and quantities for the disclosure year

15. In the box below provide-

15.1 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

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

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

Target revenue for the 2018-19 year was \$38.146 million. The total billed revenue for the 2018-19 year was \$37.945 million, which is \$201k (1%) below.

The marginal decrease (1% variation) is attributable to the lower consumption in Otago region partially off-set by the ICP growth in the Lakeland network at Frankton area (44% connection increase).

Network Reliability for the Disclosure Year (Schedule 10)

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

Box 13: Commentary on network reliability for the disclosure year

The SAIDI assessed value for 2018/19 at 235.6 was below the applicable Commerce Commission Limit of 254.9, and above the Commerce Commission Target level (224.6) that represents the average performance of the network over the last ten years.

The SAIFI assessed value for 2018/19 at 2.59 was below the applicable Commerce Commission Limit of 2.93, and just above the Commerce Commission Target level of 2.52.

However in accordance with the Issues Register for Electricity and Gas Information Disclosure issues 447 and 458, OJV has disclosed normalised SAIDI/SAIFI calculated according to the 2012 EDB ID while disclosing limits calculated according to the 2015 DPP.

The difference in methodology between the calculation of normalised SAIDI (321.8) and the calculation of the SAIDI limit (254.9) creates the misleading impression that OJV has exceeded its SAIDI limit. However as described above there is no exceedance when normalised SAIDI is calculated according to the 2015 DPP, so as to be consistent with the SAIDI limit.

Normalised SAIFI calculated according to the 2012 EDB ID (3.02) appears to exceed the SAIFI limit (2.93), but is well below the limit when the normalised SAIFI is calculated consistently with the limit.

The information has been prepared on a basis consistent with the previous year's disclosure and has not recorded successive interruptions. Schedule 10 will be reviewed to be in line with the determination in future years.

Changing work practices resulting from the Health and Safety at Work Act 2015, including reduced utilisation of live line working techniques continue to contribute to an increased level of planned SAIDI and SAIFI.

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

Insurance cover

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

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

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

Box 14: Explanation of insurance cover

OtagoNet insures its substations, network equipment and buildings.

- Substations and network equipment are insured for \$54.2 million.
- Buildings are insured for \$20.5 million.

Lines and cables are not insured. OtagoNet therefore “self-insures” its lines and cables but does not recognise the cost of self-insurance.

Amendments to previously disclosed information

18. 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:

18.1 a description of each error; and

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

Box 15: Disclosure of amendment to previously disclosed information

No amendments were disclosed.

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.
2. 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)

3. 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

Inflationary assumptions were used to calculate the nominal prices in the forecast.

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

Box 2: Commentary on difference between nominal and constant price operational expenditure forecasts

Nominal Prices are based on publicly available New Zealand Treasury’s economic forecast indicated in the Half Year Economic and Fiscal Update (HYEFU) 2017 report released in December 2017:

	2019	2020	2021	2022	2023
Inflator (CAPEX & OPEX)	1.9%	2.1%	2.2%	2.2%	2.0%

Forecasts are in line with the business plan projections and explanations outlined in the Asset Management Plan.

SCHEDULE 15 VOLUNTARY EXPLANATORY NOTES

1. This Schedule enable 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.
3. Provide additional explanatory comment in the box below.

Box 1: Voluntary explanatory comment on disclosed information

Schedule 3

Excluded in other regulated income is an amount of \$388k for Transpower Losses and Constraints.

Schedule 5f – 5g (Cost and Asset Allocation Support)

No disclosure made on these schedules with no shared assets and minimal shared costs relating to rental properties.

Schedule 10 (Commentary on network reliability for the disclosure year)

The information has been prepared on a basis consistent with the previous year's disclosure and has not recorded successive interruptions. Schedule 10 will be reviewed to be in line with the determination in future years.

The SAIDI assessed value for 2018/19 at 235.6 was below the applicable Commerce Commission Limit of 254.9, and above the Commerce Commission Target level (224.6) that represents the average performance of the network over the last ten years.

The SAIFI assessed value for 2018/19 at 2.59 was below the applicable Commerce Commission Limit of 2.93, and just above the Commerce Commission Target level of 2.52.

However in accordance with the Issues Register for Electricity and Gas Information Disclosure issues 447 and 458, OJV has disclosed normalised SAIDI/SAIFI calculated according to the 2012 EDB ID while disclosing limits calculated according to the 2015 DPP.

The difference in methodology between the calculation of normalised SAIDI (321.8) and the calculation of the SAIDI limit (254.9) creates the misleading impression that OJV has exceeded its SAIDI limit. However as described above there is no exceedance when normalised SAIDI is calculated according to the 2015 DPP, so as to be consistent with the SAIDI limit.

Box 1: Voluntary explanatory comment on disclosed information (continuation)

Normalised SAIFI calculated according to the 2012 EDB ID (3.02) appears to exceed the SAIFI limit (2.93), but is well below the limit when the normalised SAIFI is calculated consistently with the limit.

Changing work practices resulting from the Health and Safety at Work Act 2015, including reduced utilisation of live line working techniques continue to contribute to an increased level of planned SAIDI and SAIFI.

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

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APPENDIX A:



Related Party Transactions: Additional Information Disclosures

1. INTRODUCTION

For the purpose of meeting the 2019 Related Party Transaction reporting requirements, in accordance with section 2.3.6 of the Electricity Information Disclosure Determination 2012, (Consolidated in 2018), issued 3 April 2018, the following information is provided in support of:

- **OtagoNet Joint Venture's 2019 Information Disclosure**, for the year ended 31 March 2019 - Schedule 5(b) Related party Transactions

2. INFORMATION DISCLOSURE REQUIREMENTS

The information disclosed in this Information Disclosure package issued by OtagoNet Joint Venture (OJV) has been prepared in accordance with the Determination noted above.

The information should not be used for any other purposes than that intended under the Determination.

The financial information presented is for the electricity distribution business as described within the Determination.

3. RELATED PARTY RELATIONSHIPS

In accordance with Input Methodology rules, a Related Party Transaction occurs when a regulated supplier transacts with an entity which is related to it by common shareholding or other common control.

The OJV Regulated Network is comprised of OtagoNet Joint Venture (OJV) and Electricity Southland Limited (ESL). The OJV (including ESL) network and the network management company PowerNet Limited (PowerNet), are all 100% wholly owned by Electricity Invercargill Limited (EIL) and The Power Company Limited (TPCL), through their respective wholly owned subsidiary companies Pylon Limited and Last Tango Limited. PowerNet has an interest in electricity distribution maintenance company PowerNet Central Limited (PCL).

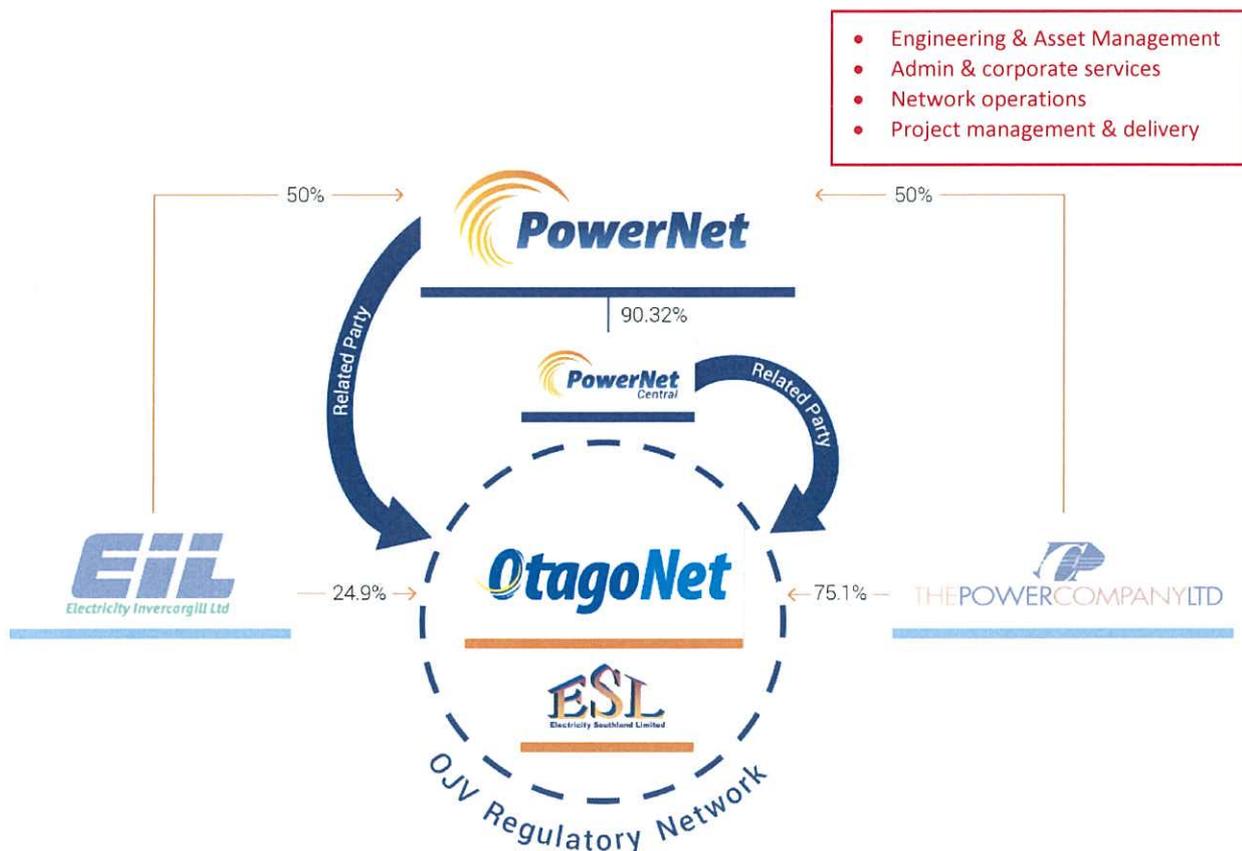
During the year ending 31 March 2019, OJV Regulated Network had related party transactions with the following entities:

- Goods and services provided by – PowerNet Limited;
- Goods and services provided by – PowerNet Central Limited

Company Structure

The parties to the OtagoNet Joint Venture consist of EIL and TPCL. PowerNet is a related party, as it is owned by EIL and TPCL. The regulated OJV network also includes the ESL network, which has the same ownership as OJV. ESL uses PCL, a PowerNet subsidiary, for network related services. The following diagram illustrates the regulated OJV network’s transactions with PowerNet and its subsidiary PCL, and the nature of related party transaction work undertaken.

ID Determination reference: 2.3.8



a. **PowerNet Limited**

EIL and TPCL jointly hold a 100% interest in electricity network management company PowerNet Limited and the regulated OJV network (OJV and ESL). PowerNet provides a range of field contracting, asset management, system control and finance and commercial services to the regulated OJV network. The value of the related party transactions for the year ended 31 March 2019 is categorised as follows:

	(\$000)
<i>Operating Expenditure:</i>	
i. Service interruptions and emergencies	2,049
ii. Vegetation management	1,582
iii. Routine and corrective maintenance and inspection	1,683
iv. Asset replacement and renewal (opex)	121
v. System operations and network support	857
vi. Business support	1,525
<i>Capital Expenditure:</i>	
vii. Consumer connection	1,007
viii. System growth	31
ix. Asset replacement and renewal (capex)	6,451
x. Quality of supply	1,669
xi. Other reliability, safety and environment	3,005
Total Related Party expenditure from PowerNet	19,980

In the year to 31 March 2019, PowerNet provided 78% of the OJV Lines Business Capital Expenditure, and 90% of all Operating Expenditure. The high percentage of related party transactions relative to total expenditure is due to PowerNet operating under a Network Management Agreement (NMA) with OJV, in the form of an "agency agreement".

Services provided under the agreement include:

- Electricity distribution field services
- System control services
- Project management of capital and maintenance work
- Faults restoration and stand by (on call) arrangements
- Asset management for EDB and meters,
- Health, Safety and Environment management
- Business support, IT support and human resources
- Corporate, finance and commercial services

b. PowerNet Central Limited

PowerNet holds an ownership interest of approximately 90% in PowerNet Central Ltd (formerly Peak Power Services Ltd), a Central Otago based electricity distribution maintenance contracting business. PCL provides network design services, capital construction works, and maintenance and fault services to ESL. The ESL network is consolidated within the OtagoNet JV network for regulatory reporting purposes. The value of the related party transactions for the year ended 31 March 2019 is categorised as follows:

	(\$000)
<i>Operating Expenditure:</i>	
i. Service interruptions and emergencies	25
ii. Routine and corrective maintenance and inspection	20
<i>Capital Expenditure:</i>	
iii. Consumer connection	2,750
iv. System growth	240
v. Asset replacement and renewal (capex)	5
Total Related Party expenditure from PCL	3,040

Network Management Agreement ('Agency Agreement')

OJV (including ESL) incurs 98% of its capital expenditure and the majority of operating costs for its electricity distribution businesses from PowerNet & PCL. PowerNet operates in accordance with the explicit terms and conditions of a Network Management Agreement (NMA).

While OJV & ESL own the Network Assets and provide electricity distribution services through their electricity network in Clutha and Central Otago Region, under the agreement PowerNet will manage the network assets, will carry out an agreed Capital Works programme, has the exclusive right to provide Line Function Services, and will provide the business administration services on behalf of OJV.

PowerNet was established in 1994 to extract operational efficiencies from the merger of field work management, asset management and office based functions performed by TPCL and EIL. In 1993, there were two autonomous Lines Companies in Southland (TPCL and EIL). Each had a separate staff, management and Board of Directors, and each had a different ownership structure. Directors of both companies recognised there would be significant economies of scale benefits if there were a single Lines company covering the area. Due to different ownership a single Lines company was not possible, however a single network management entity was a viable option.

The ongoing drive for efficiency by merging operations and achieving scale was recently identified by the Government Pricing Review and the terms of reference required investigation into the "PowerNet model" as the review looked at how other EDBs could potentially do the same.

PowerNet charges Agency Fees to the EDB's network and metering businesses it manages under the NMA's. These charges recover costs incurred in the performance of the system control services, asset management, corporate, finance and commercial services.

These costs are charged out to customers based on a cost allocation methodology applied within PowerNet. The allocation is based on various allocation drivers, including field operating orders, staff numbers, EDB

asset size, EDB customers and a departmental assessment of indirect labour time splits. The allocation forms the basis of costs recovered from:

- the agency fee to be charged to the EDB's and metering businesses; and
- the capital mark-up to recover costs allocated to EDB and meter capital projects

An independent review in 2018 of the allocation methodology ensured all parties that are charged agency and other fees by PowerNet are treated consistently and appropriately for each party.

4. PROCUREMENT POLICY

ID Determination 2.3.10 & 2.3.11

Under the Network Management Agreement (NMA), OJV has contracted PowerNet to manage the operational functions, maintain the network assets, implement the Asset Management Plan, and provide business management services, and hence, act on behalf of OJV when project managing and purchasing required goods and services in the course of carrying out the responsibilities of the Agreement. Due to the special relationship with OJV, the **PowerNet Procurement Policy** (including the **Procurement Strategy**), is implied as also being the procurement practices followed by OJV. Therefore, the Procurement Policy provided on the following page for the purpose of this information disclosure, is as provided by PowerNet.

The PowerNet **Procurement Policy**, sets the procurement principles for staff to follow when engaging suppliers or sourcing goods and services. The PowerNet **Procurement Strategy** provides guidance on practices and processes for the business to follow when engaging with the suppliers of goods and services, and anywhere the business commits to a purchase obligation.

These documents are to ensure appropriate practices and controls are followed, and to make sure the best value and quality is achieved for the business and stakeholders.

Procurement Policy (FNPO-035-Policy)

PowerNet Limited (PowerNet) aims to obtain the best long-term value for money across all its spend categories. In doing so, PowerNet's procurement processes will be guided by the following general principles:

- ✓ Plan and manage for the best outcome
- ✓ Be fair to all suppliers
- ✓ Choose the right supplier
- ✓ Adhere to the rules

Asset 'whole-of-life' cost focus

- The lowest lifecycle (whole-of-life) cost shall be sought.
- Consideration must be given in regard to the Capital versus Maintenance expenditure trade-offs for network assets and equipment.

Sourcing of labour

- Necessary skills, equipment and availability will be considered when resourcing labour – whether using internal or external sources. External contractors must comply with PowerNet health and safety and operating certification requirements.
- PowerNet recognises that across the Southland-Otago region there is a limited pool of line mechanic and technical contractors, and accordingly relies heavily on its own internal field crews.
- Large specific network projects should be competitively tendered where possible, both to ensure that the lowest price has been obtained, and also to provide cost comparison information for PowerNet.

Sourcing of materials and equipment

- Routine supply of materials shall be through the Corys Electrical Agreement, which includes various mechanisms to ensure prices are efficient.
- Supply of non-routine materials or specialist equipment shall be competitive. The formality of the process shall be commensurate with the value of the purchase.

External party works

- Activities for which PowerNet has a statutory responsibility, but is not required to perform the function (e.g. vegetation management or new connections) will be made clear to those external parties (or customers). Communications with those consumers shall include a list of optional accredited external contractors who they can choose to undertake their work.

The above guidelines must be applied by all staff at PowerNet. Further detail is available within associated internal procurement process and procedure standards.

5. APPLICATION OF PROCUREMENT POLICY

ID Determination 2.3.12 (1)

As noted above, the procurement policy and processes adopted by OJV (including ESL) are based on the PowerNet Procurement Policy and Strategy (FNPO-035). PowerNet and PCL are responsible for sourcing all materials and services required to maintain the OJV network assets and project manage the replacement or development of new assets. PowerNet and PCL recover this expenditure through charging OJV for capital and maintenance work, and through applying an agency fee for recovering a share of the associated business services costs.

The **Procurement Policy** adopted by OJV puts emphasis on making decisions in the interest of an asset's lifecycle cost – in particular, capital versus maintenance decisions; considerations when sourcing labour, materials and equipment, and engaging customers for external party works.

The **Procurement Strategy** document covers in detail the applicable processes and practices of purchasing goods and services.

While PowerNet and PCL are related parties of OJV (including ESL) for reporting purposes, they are structured as separate legal entities, operating on an 'arms-length' basis.

Planning

Adequate planning is an important part of the OJV (including ESL) procurement process. Each year the PowerNet Network Asset Engineers prepare the OJV & ESL Asset Management Plan (AMP), a strategic, long-term view of the Network capabilities and constraints. The AMP provides an internal asset management framework for OJV's network, including the Annual Works Programme (AWP), detailing the capital and operation expenditure (asset maintenance, replacement and/or development) required. The AMP is reviewed and approved by the OJV governing committee and ESL board, prior to the PowerNet Engineers' and Project Managers' developing the AWP, as a key part of the annual business planning process. The AWP translates projects identified in the AMP into categorised work streams with detailed assumptions regarding the timing, materials and resources needed to complete the work, resulting in a more refined cost estimate, for Project Managers' to apply. The AMP is a 10 year view, whilst the AWP focuses on the upcoming 12 month period. In certain cases with large forecasted spend, a project business case is required in advance, for separate Board consideration and approval. The finalised AWP expenditure is included within the OJV & ESL annual business plan approval process.

Project Manager's are assigned to implement the identified projects, within the guidelines of the project budget, and are responsible for managing the resources and making sure the project is completed to required standard.

Where required for high cost projects, or if specialised skills or equipment are required, a 'Request for Tender' process may be undertaken, to provide an indication of market supplier interest and greater certainty of project costs. The PowerNet Tendering Policy provides the steps that are to be followed when work is tendered. The decision to undertake a Tender process will be determined during the project planning phase.

Goods and services will be procured within approved budgets, with any exceptions requiring approval from a Senior Leader or Chief Executive Officer, in line with the financial authority limits. Written cost estimates or quotes are required from Suppliers depending on the value or nature of the job to manage cost expectations.

Resourcing

Having the combined network management of TPCL, EIL, OJV and ESL, gives PowerNet a stronger position to negotiate more favourable competitive prices for goods and services, through the greater purchasing volumes and activity, than would otherwise be possible by OJV and ESL alone. A supplier agreement with Corys Electrical makes it possible to source the required specialised electrical materials at market competitive prices, and the volume of work enables priority response and competitively low prices from many external service providers.

The market of available suppliers of high voltage electrical work in Southland & Otago is very small, and in some cases for specialised tasks, non-existent. PowerNet has learned over the past 25 years through different operating models (from operating with internal field crews, to operating with fully outsourced labour arrangements), the most effective, efficient and reliable outcome for getting OJV & ESL's Works Programme projects completed in a timely manner, to the required standard, is to secure required skills internally, and to apply these staff as needed, across the different networks PowerNet manages.

OtagoNet: In many cases, external contractors are still required for large projects or technically challenging tasks, where resources can be outsourced (eg. almost 30% of the OJV Capital project expenditure during the 2018/19 year is non-PowerNet labour cost). Having a team of experienced Line Mechanics and high voltage Technicians enables PowerNet to provide an effective faults response service, reducing the impact on customers of unplanned outages, and helping the OJV network meet its regulatory outage performance targets (SAIDI & SAIFI targets). For this reason, in many cases for OJV network asset maintenance tasks, the work is allocated to PowerNet internal labour teams with the appropriate skills and equipment.

ESL: PowerNet Central undertakes the majority of the Annual Works Programme projects, whilst outsourcing required services when necessary.

While the project resources and materials required are planned by network engineers within the PowerNet Asset Management team, the selection of the Suppliers to provide the work is a responsibility of the respective Project Manager. In making the selection, the Project Manager is mindful of making decisions based on the best outcome on behalf of the network – and so, to protect the value and reliability of the Network Assets, the Project Manager selects the materials and scopes the design to meet the required network design standard. Outsourcing is considered for each element of the project if appropriate, and market testing performed where uncertainties exist in cost or difficulty. This selection process may not always result in the cheapest or easiest short-term option being applied, with decisions made to make sure the outcome is of a high quality and reliable standard, in the best long-term interests of the customers and stakeholders.

Materials are sourced by Corys Electrical who can provide a range of options for the Project Manager to select from, at market competitive prices.

Suitable Contractors must be capable of meeting the operating and health & safety standards of PowerNet, and there are specific controls to check new applicants, to make sure they have completed the requirements (eg. PreQual health & safety assessment) are reputable before allowing them to be selected.

Project Management Reporting

PowerNet operates a job costing system (Maximo) to track direct project costs (materials, labour and services). Project Managers' record the project details by way of setting up a Maximo 'work order' for different stages or components of work required. Maximo is integrated with the Technology One (Tech One) Accounts Payable system operated by the PowerNet Finance department. Purchase Requisitions are raised in Tech One for the purchase of materials and external services, with project cost details accumulating within Maximo. Purchase Requisitions must be approved by an employee with an appropriate financial authority level, as documented in the PowerNet Financial Authority Policy. If above \$1 million, a Business Case is required for Board approval prior to approval being administered. Purchase Orders can't be provided to suppliers until approval is granted in TechOne. TechOne records the approval details for audit trail purposes.

Once the Project Manager is satisfied the project work has been completed to the required standard, and all costs associated to the work have been received and recorded against the Maximo Work Order – a project close out process begins. Documentation is prepared by administrators and project managers as necessary, to have the final costs summarised and compared to original budget with explanation where a material under or over spend variance exists. Once the documentation is ready, a final review is done and the project close out signed-off by a person with appropriate Network Asset Works Programme financial approval level. For a capital project, the final project cost is invoiced to OJV or ESL respectively, for payment within the standard PowerNet or PowerNet Central payment terms (20th of month following invoice date).

Under the Financial Authorities Policy relating to the PowerNet management of OJV or ESL projects, those authorised under PowerNet's financial delegation have financial delegated authority on behalf of OJV.

Cost of assets, goods or services from Related Party

The costs PowerNet incurs undertaking the responsibilities of managing OJV and ESL's network assets are charged to OJV & ESL respectively each month. Agreed charges are included within the Network Management Agreement, including monthly progress invoices in relation to the Annual Works Programme project activity expenditure. In return for the management of the network assets and related business support costs, PowerNet charges OJV an Agency fee, and applies an internal commercial mark-up to recover its operating costs and enable a modest commercial profit. A management fee is charged to ESL in respect to these services, rather than the agency fee.

6. PURCHASES REQUIRED FROM A RELATED PARTY

ID Determination 2.3.12 (2)

Activities for which OJV & ESL network customers are required to use PowerNet or PowerNet Central (related parties) in relation to electricity distribution services are:

- Fault Repairs;
- Requests for a new connection to OJV's network; and
- Removing trees or vegetation from proximity of power lines.

Fault Response and Reactive Maintenance

Under the Network Management Agreement, PowerNet is responsible for maintaining the OJV (including ESL) network assets in good operational order, and in an overall standard equal or better to the initial condition. Returning power to consumers safely and quickly, following a fault or outage event, is an important requirement and performance measure for OJV.

When a customer reports an outage, the PowerNet System Control operator will notify PowerNet staff to respond, (if they haven't done so already if an alarm system has been activated).

PowerNet provides on-call line mechanics and technicians, located across the Southland region, able to respond in a very short period of time to a fault call out, to provide a reliable and efficient fault response service, and minimise the impact of a power outage on OJV network customers. For the ESL network, PowerNet Central provides the on-call faults response service. Without these remote depot locations the duration (SAIDI) of outages on the OJV network would be adversely affected. Having skilled labour, trained to the network accepted standard and practices, located at various depots across the network, and having appropriate tools and equipment capable of resolving an outage safely and quickly, is a key reason why PowerNet and PowerNet Central provide the fault response services internally, rather than outsourcing.

New Connections

The process for requesting a new connection or capacity upgrade on the OJV (including ESL) network is managed by the PowerNet Distribution team (PowerNet policy FNPO-025 Commercial Terms for New and Altered Customer Connections, or "Connections" policy). This is essential to maintain a consistent design specification standard for the OJV network assets.

As highlighted in the Connections policy, depending on the nature of the customer work required, the Network will likely be required to manage parts of this work, especially where the work involves network equipment being installed or connection being made to Network assets. For high voltage lines installation (11kVA and above), requiring road side access, the Utilities Access Act 2010 controls who has the authorisation to operate in this space, and restricts the access to only approved utility companies. Hence, PowerNet, under the NMA, manages the construction of lines or installation of network equipment along road-sides on behalf of OJV, or where special easements are required across private land. However, low voltage work on private land is the responsibility of the property owner.

For example, if a customer required a new connection for a new Dairy shed, PowerNet will manage the line extension along the road, but the customer is encouraged to manage the construction of the line from the road (from the network connection point to the ICP) to the Dairy Shed, through an external contractor of their choice. In the case of a high voltage line (11kVA or above), the network assumes ownership of the new line and is responsible for the future maintenance or repair of that line. Therefore, it is important that the customer's external contractor has their design and construction details approved by PowerNet engineers on behalf of OJV, to make sure the design is to the required, acceptable OJV network standard.

For each request, an application must be completed by the customer for the PowerNet Connections team to review and provide an explanation of requirements relating to the work, and any associated costs (in the form of a letter of quotation). The quote must be accepted by the customer before PowerNet will begin any work on behalf of the Network.

If PowerNet are required to undertake construction or installation work, the Project Manager will evaluate what resources are required, and who can do the work. This work may be contracted to an external supplier however due to the small number of high voltage contractors available in Otago this work is often undertaken by the PowerNet Distribution field staff.

The new connection process and responsibilities are explained on the PowerNet website, where details are provided for Customers to use an independent contractor:

<https://powernet.co.nz/your-power-supply/getting-connected/>

Using an Independent Contractor

It is possible for a consumer to use an independent contractor to design and build part of their new connection. If you are developing a new subdivision or if your new supply is large or remote from the existing network and will require our high voltage network extending across private land you can use an Independent Contractor to carry out some of the work.

Further information is available in our Independent Contractor and Developer Reticulation in Subdivisions documents.

Please note that there are some statutory tasks that only PowerNet can perform.

Arborist/Tree Management

All electricity network companies are required under Government regulations (Electricity (Hazards from Trees) Regulations 2003) to ensure trees do not grow too close to their electricity lines or equipment. Vegetation management on OJV network is a core maintenance activity that uses similar equipment (live line bucket trucks) and requires similar live line training skills for the operators.

PowerNet is responsible for vegetation management on the OJV network, in accordance with the Network Management Agreement. An Arborist Team was integrated into the business when PowerNet purchased Otago Power Services Ltd in February 2016 and amalgamated shortly after. The PowerNet arborist team inspect the network lines and identify areas of risk where trees are growing inside the legal 'growth limit zone'. In these circumstances, PowerNet will notify the tree owners of their obligations by issuing a 'Tree Cut/Trim Notice'. Under the Tree regulations and OJV's tree management process – the first cut or trim is at the cost of OJV. Following the first cut, the tree owner is responsibility for keeping the tree(s) clear of the 'Growth Limit Zone' around OJV's power lines and equipment.

PowerNet provides advice on its website (<https://powernet.co.nz/services/trees/>) relating to tree regulations and owner's responsibilities, and offers a list of network approved contractors who can undertake tree cutting services on the OJV network for the owner – making it clear owners are not obliged to use PowerNet's services.

The following content can be found on the PowerNet web page, under the services offered:

<https://powernet.co.nz/services/trees/approved-contractors/>

Approved Contractors

Important note: If you choose to organise your own tree cutting and are not using one of our approved contractors (listed below) please call PowerNet System Control on 0800 808 587 at least three days before proceeding to discuss the work to be undertaken. You or your contractor must apply for an [Application for Approval to Operate Machinery closer than 4m to electric power lines](#) or have the lines de-energised.

PowerNet Arborist Services – Quotes:

Phone 03 2111899 or email trees@powernet.co.nz

Asplundh – Quotes:

Invercargill Office on 03 216 8051

Wayne, Contract Manager on 0275 533 250

enquiry@asplundh.co.nz or visit Asplundh at www.asplundh.co.nz

Bruce Dickens Tree Topping – Quotes:

Phil, Operations Manager, on 0274 441 008 or 03 212 8686

Bruce on 0274 756 732

The Tree Cut/Trim Notice is issued to the tree owner, indicating available options for the work required. The tree owner responds with their preference – either to manage their own contractor, or engage PowerNet.

7. PROCUREMENT REPRESENTATIVE EXAMPLES

ID Determination 2.3.12 (3)

OJV requires a range of services from PowerNet to manage the Network operations. These services may often have very different characteristics and may involve a different procurement process to best suit the situation or work being undertaken. The following list illustrates the categories of transactions with different procurement processes:

i. Major Construction Projects (System Growth/Asset Replacement & Renewal/Reliability, Safety & Environment)

Significant large-scale projects are managed by the PowerNet Asset Management – Major Projects team. These projects are often long term (greater than 12 months), complex in design, and usually greater than \$1m in cost, with additional procurement requirements. As such, a business case is required for board approval prior to commitments being made, and the projects are often separately recognised in the approved OJV Asset Management Plan, and annual Business Plan. Due to the large amount of dedicated resource and long period of time required, these projects are often outsourced. Detailed design work can be technically challenging and time consuming, and is also outsourced. Market testing of suppliers occurs periodically for design and construction work (request for tender/quotation), to make sure the subcontracting cost is reasonable. The majority of project materials are sourced through Corys Electrical, or in special circumstances of dedicated large cost items (eg. substation transformer), they may be sourced directly from the overseas manufacturer. A PowerNet Project Manager is assigned to oversee the project, manage the flow of work, manage the work orders and purchase orders used to track expenditure, and recommend payment to suppliers. Often multiple work orders are raised for managing the different components of the project. Due to the typically longer project period, PowerNet issues progress invoices to OJV during the project. A project close-out process occurs on completion of construction milestones, approved by either the Project Manager or person with the appropriate delegated financial authority level.

EXAMPLE: Clydevale 33kV Ring Protection Project

The following example is provided to illustrate the procurement process followed by PowerNet (Related Party) for a ‘Major Project’ to upgrade aging assets.

Project Name:	Clydevale 33kV Ring Rebuild & Protection
Project Date:	June 2018 – October 2019
Project Number:	30595
Total Expenditure:	\$ 1,335,000 External labour & materials \$ 390,000 PowerNet services (incl. mark-up) ----- \$ 1,725,000
Expenditure Classification:	Reliability, Safety & Environment (Capital Expenditure)
Project Manager:	PowerNet Ltd
Subcontractors:	Greg Donaldson Contracting, Andrew Haulage, Mitton Electronet and Linetech Consulting



The load and customer numbers in the Clydevale area are increasing with highlighted importance on a reliable supply to the individual dairy farms, irrigation and commercial businesses.

The Clydevale 33kV Ring Rebuild & Protection project is a network reliability project that had been identified for implementation in the 2018-19 Asset Management Plan, approved by the OJV Governing Committee on 28 March 2018. Due to the significant value, a business case was prepared by the PowerNet Network Asset Engineer for approval by the OJV Governing Committee.

The project was included in the 2018/19 Annual Works Programme prepared by PowerNet, and assigned to a Project Manager in the PowerNet Major Projects team. In accordance with PowerNet project management and procurement processes, the Project Manager then prepared the internal project management system (Maximo) to record the necessary project budget details, and work orders for each significant component of the project.

PowerNet’s field staff are managed to deliver respective works across the entire organisation and due to the other commitments of the internal labour resources, external contractors are used to supplement workforce capacity and skillsets. External contractors selection process included but was not limited to gathering external expressions of interest, based on highly regarded performance from previous projects and fields of specialisation.

Once construction began, project costs were raised by way of raising purchase orders for approval and payment of invoices, and the tracking project costs occurred within Maximo work orders. Upon completion the Project Manager would complete project close-out documentation, and make sure a leader with appropriate financial approval would authorise the on-charge of project costs to the customer OJV. The Clydevale 33kV Ring Rebuild & Protection project is expected to be completed in 2019/20 financial year.

Market Testing: The majority of the Clydevale 33kV Ring Rebuild & Protection project cost was outsourced by PowerNet. The rates provided by the external contractor were consistent with the tender prices. The PowerNet business services and mark-ups allocated to this project reflect a share of the administration costs that would otherwise be required if OJV had its own management and administration team. While it is difficult to market test this charge, PowerNet applies a model which allocates the business services costs based on estimated time incurred by PowerNet staff, on work required for the respective network. This model is reviewed periodically by an independent consultant to support the allocation basis. In addition, OJV undertake periodic independent reviews of Major Projects to assess the spend against the regulatory criteria of prudence and efficiency. The review of the 2018/19 projects concluded the majority of spend reviewed was considered both prudent and efficient, and therefore met the regulatory expenditure objective.

ii. New Connection / Capacity Upgrade (System Growth)

New connections and capacity upgrades are generally customer driven, whether it be for a new property, or expansion of an existing property. Project size can range from a small connection of a newly built house, to the construction of a new manufacturing plant or new residential subdivisions. For smaller scale projects, PowerNet assigns a Project Manager from the Connections team. Large scale projects may be assigned to the Major Projects team, and comply with the procurement processes noted above for Major Construction Projects. Smaller scale Connections projects do not require a business case (less than \$1m project cost) or separate inclusion within the AMP or Business Plan line items. Due to the large number of low value connections or capacity upgrades, and the shorter lead-time from an enquiry to the work being completed, the majority of these projects are approved within an estimated grouped allowance value in the annual OJV Business Plan.

Characteristics:	Requirement:
<ul style="list-style-type: none"> - Customer driven enquiries. - Small sized projects. - Planning is high level. - Quote provided. - Customer contribution received. - Internal Distribution staff undertake work on the Networks. - External qualified electricians are given opportunity to undertake customer work, directly engaged by customer. 	<ul style="list-style-type: none"> ❖ General amount approved in Asset Management Plan. ❖ Cost estimate - Maximo work order ❖ Payment – Purchase Order

The procurement of goods and services for this type of work follows the same PowerNet procurement processes for a general construction project, only this work is more heavily influenced by a customer need rather than a network need. The PowerNet New Connection policy governs the requirements for this work. PowerNet assigns a project Manager to oversee the operational requirements, resourcing internal staff or external contractors depending on the availability and capability required, and making sure the work meets the OJV network specifications. Often with this work, a customer contribution may be required where the cost to the network may be greater than the economic benefit. Hence, if this wasn't for the customer request, the OJV wouldn't otherwise be required to do this work.

New connection work is often small in nature and doesn't require the services of an outsourced engineer, however in circumstances of larger new connections or planned upgrades, the PowerNet Project manager will review the degree of complexity and resources available and outsource the work as required. The recent and ongoing subdivision development project in Hanley Farm near Queenstown, is an example of this, where design work was outsourced, and various construction components were also outsourced, to meet the customers requirements.

On a smaller scale, a customer may request a new connection for a new dairy shed on a rural property. PowerNet engineers will assess the network requirements for reaching the new connection point, and whether the current line feeding the electricity has the capacity to carry the extra load, and if upgrading any network assets is required. The customer is provided with details, once the assessment has been completed, of the work to be managed by the PowerNet (network extension or upgrade to the network connection point), and the work the customer may manage through a network approved contractor of their choice (from network connection point to the Dairy Shed). If the cost of this work to OJV is greater than the expected economic benefit, a quote for the customer contribution is provided. Work only commences when the Customer agrees to the terms and conditions of the quote.

EXAMPLE: New House Connection with 11kV Extension

The following example is provided to illustrate the procurement process followed by PowerNet (Related Party) for a 'New Connection' to the OJV network:

Project Name:	Customer Connection (OJV Works programme)
Completion Date:	November 2018
Project Number:	CC 335946 / 335949
Project Expenditure:	\$ 16,000 External Materials \$ 27,000 PowerNet services (incl. mark-up) ----- \$ 43,000 Total Cost (2018/19)
Project Classification:	Consumer Connection (Capital Expenditure)
Project Manager:	PowerNet Ltd
Construction:	PowerNet - Distribution Team
Subcontractors:	N/a

Project CC335946 new connection application was received by the PowerNet 'Connection' team staff in June 2018. The customer requested single phase electricity connection for a new house. The installation required an 11kV extension to connect the property to the nearest existing feeder. The request was assigned to a PowerNet Connections Project Manager who assessed the requirements, and prepared a work plan. Within the standard connection procurement process, if the requested work requires a contribution from the customer, the Project Manager prepares a Quote letter detailing the work required, the contribution payment, and options for who can undertake the required work. High voltage work is the responsibility of the Network (PowerNet on behalf of OJV), however it is explained in the Quote letter, the installation of low voltage cable is the responsibility of the customer and is not included in the quote cost. The customer may use a network approved contractor of their choice to do this work. In accordance with the PowerNet new connection policy, work will not begin until acceptance of the quote and 50% payment of the customer contribution is received.



This project is an example where a short lead-time (within 12 months) and relatively low cost work is required (\$43,000), hence this project is not separately identified in the OJV annual Business Plan, but rather included within the estimated allowance included in the Business Plan for new connection work.

The Project Manager created the project work order in Maximo, and assigned the work based on a review of the available resources, and timing, with consideration to other outage work scheduled in the area. In this instance, a PowerNet Distribution crew was assigned to undertake the Network required work, which coincided with other Network outage work scheduled in the area at that time, hence minimise the impact on customers of multiple power outages. The design network connection followed the standard Network specification drawings, not requiring any additional external services, and the materials were sourced through Corys Electrical, at near wholesale prices in accordance with the Corys Supply Agreement.

In accordance with PowerNet project management and procurement processes, upon completion of the work, the Project Manager completed the project close-out documentation, and a role with appropriate financial approval authorised the on-charge of PowerNet’s project related costs to OJV, for payment under the standard payment terms and conditions.

Market Testing: The prices charged by PowerNet have been benchmarked against similar Line Mechanic or Technician roles from other external Suppliers utilised during 2017-2019. PowerNet labour rates were within +/-13% of the benchmarked rates. The materials sourced through Corys Electrical supply agreement includes a range of contractual mechanisms to ensure efficient prices are being provided to PowerNet. The PowerNet business services and mark-ups allocated to this project reflect a share of the administration costs that would otherwise be required if OJV had its own management and administration team. The recent benchmarking of PowerNet business and network support services provided rated well on a cost per ICP basis, against other equivalent EDB’s to OJV.

iii. Distribution & Technical Projects (Asset Replacement and Renewal)

Asset Replacement and Renewal projects are generally driven by internal asset condition and monitoring assessments, performed periodically by PowerNet staff on OJV network assets. Depending on the nature of the work, this work could be a small scale project relating to the replacement of an 11kV Line Pole (eg. ‘Red Tag Pole’) managed by the PowerNet Distribution Team, or a larger technical project (eg. 500kV transformer replacement or substation upgrade project) managed by the PowerNet Technicians team. Similar to the previous expenditure examples, where the work is significant and identified separately within the AMP or annual Business Plan, the procurement processes for large-scale projects will apply. However where the work is smaller in scale, there is likely to be only one work order raised per job, and the project may be grouped together with other small, similar type work in the AMP and Business Plan.

The respective Project Managers will review available resources, and prioritise the PowerNet Line Mechanics or Technician staff to undertake the work based on availability and technical requirements. PowerNet specialises in offering these services, and has qualified Line Mechanics and Technicians and equipment available to work on these projects, while also being able to respond quickly to an unplanned outage or event. Outsourcing may occur where necessary, however based on experience due to the lack of local Line Mechanic contractors in Otago, PowerNet has been required recently to source external labour from outside the local area (eg. Network Waitaki, Buller Electrical). High Voltage Technicians Design work is for general replacement work is provided by way of OJV network standard design.

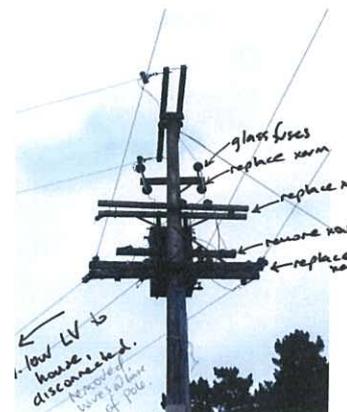
Team:	Characteristics:	Requirement:
Distribution	<ul style="list-style-type: none"> - Emergency fault repair work. - Network Lines repair and development. - Internal Distribution staff undertake work on Networks. - External contractors may be subcontracted by PowerNet to assist with this work. 	<ul style="list-style-type: none"> ❖ Planned - Asset Management Plan ❖ Project managed - Maximo work orders ❖ Payment – Purchase Order
Technical Projects	<ul style="list-style-type: none"> - Technical specialised work. - Internal Technician staff undertake work on Networks. - External contractors with necessary skills may be subcontracted by PowerNet to assist with this work. 	<ul style="list-style-type: none"> ❖ Planned - Asset Management Plan ❖ May require Business Case approval ❖ Project managed - Maximo work order ❖ Payment – Purchase Order

Project costs are tracked in Maximo, and payments made to suppliers following the standard PowerNet payment terms and conditions. Upon completion the Project Manager would complete project close-out documentation, and a leader with appropriate financial approval will authorise the on-charge of project costs to OJV.

EXAMPLE: Red Tag Pole Replacement

The following example is provided to illustrate the procurement process followed by PowerNet (Related Party) for a 'Distribution' project for the OJV network:

Project Name:	Red Tagged Pole Replacement Deepdell (OJV Works Programme)
Completion Date:	October 2018
Project Number:	CC 337425
Project Expenditure:	\$ 21,000 External labour & materials \$ 57,000 PowerNet services (incl. mark-up) ----- \$ 78,000 Total Cost (2018/19)
Regulatory Classification:	Asset Replacement & Renewal (Capital Expenditure)
Project Manager:	PowerNet Ltd
Construction:	PowerNet - Distribution Team
Subcontractors:	None



This work is identified through PowerNet asset condition monitoring, and is deemed essential to maintain security of supply within the area. A PowerNet Project Manager is assigned to plan and oversee the work. The labour and materials requirements are assessed and project details are managed within the Maximo work order system, similar to other capital projects. Consideration is given to the timing of the work, to make sure resources are available, and to minimise the impact of a power outage to effected OJV customers. PowerNet was assigned to undertake the work, being able to provide the skilled distribution services and equipment required. Materials were sourced through Corys Electrical, at market competitive prices in accordance with the Corys Supply Agreement.

In accordance with PowerNet project management and procurement processes, upon completion of the work, the Project Manager completed the project close-out documentation, and a role with appropriate financial approval authorised the on-charge of PowerNet's project related costs to OJV, for payment under the standard payment terms and conditions.

Market Testing: The prices charged by PowerNet have been benchmarked against similar roles from other external Suppliers utilised during 2017-2019. PowerNet labour rates within +/-13% of the benchmarked rates. The materials sourced through Corys Electrical supply agreement includes a range of contractual mechanisms to ensure efficient prices are being provided to PowerNet. The PowerNet business services and mark-ups allocated to this project reflect a share of the administration costs that would otherwise be required if OJV had its own management and administration team. The recent benchmarking of PowerNet business and network support services provided rated favourably on a cost per ICP basis, against other equivalent EDB's to OJV.

iv. Faults Response (Service interruptions and emergencies)

Fault response is a key service provided by PowerNet and PowerNet Central. Minimising power outage time of network faults, and minimising the number of customers impacted, is an important performance measure of OJV network. As noted above, PowerNet and PowerNet Central provide an on-call service, able to respond quickly to an unplanned outage or event. PowerNet Line Mechanics crews are based in depots located across the Southland and Otago regions for quick response to fault call-outs and to minimise travel time across the network. PowerNet Central staff are based in the Central Otago area. Providing a faults call-out service (standby operation) out of small remote depots, comes at a cost which is recovered from the various EDB's covered by PowerNet (including OJV), in the form of a faults standby payment, varying for each depot, dependent on the depot overheads costs. With an immediate response required, the procurement processes allow the flexibility for Distribution staff to respond immediately with the necessary materials (from fault stock items held at Depots or from Corys on-call arrangement if urgent) or equipment available anytime during the day or night. Purchase details for goods required are recorded on a manual 'Activity Report' which is later provided to the PowerNet Project Manager for approval and load raising the work order after the event has been resolved. In all other situations, the purchase of goods and services are approved prior to the work being undertaken.

The depots are based in Invercargill, Balclutha, Gore, Lumsden, Te Anau, Ranfurly, Palmerston and Stewart Island. Due to the quick response time required, outsourcing only occurs where the PowerNet resources are not capable of providing the services (eg. use of a digger or other specialised equipment). An estimated allowance for the fault repair work is approved in the annual Business Plan. Repair costs are tracked and payments made to suppliers following the standard project and finance software, within the standard PowerNet payment terms and conditions. Upon completion the respective PowerNet Project Manager completes a project close-out document, and the repair costs are on-charged in the monthly maintenance costs to OJV.

Market Testing: Market prices assumed where PowerNet is applying the same labour rates as applied across other spend categories which are more commonly market tested. The prices charged by PowerNet have been benchmarked against similar Line Mechanic or Technician roles from other external Suppliers utilised during 2017-2019. PowerNet labour rates were within +/-13% of the benchmarked rates.

v. Arborist Work (Vegetation Management)

Tree management costs are driven by Government regulations for proximity of branches and vegetation to power lines. OtagoNet is responsible for encouraging property owners to comply with the regulations. PowerNet manages this service on behalf of OtagoNet and operates a skilled vegetation management team. Inspectors identify hazards, liaise with landowners and issue Cut/Trim notices to the landowner as required.

As per the Electricity (Hazards from Trees) Regulations 2003, the first trim is provided at the cost of OJV with the property owner charged the cost of any further tree cutting cost.

An estimated allowance for the Vegetation Management work is included and approved in the annual Business Plan. Vegetation management costs are tracked and payments made to suppliers following the standard project and finance software, within the standard PowerNet payment terms and conditions. Upon completion of a job, the respective PowerNet Project Manager completes a project close-out document, and the costs are billed to OtagoNet in the monthly maintenance invoice.

Characteristics:	Requirement:
<ul style="list-style-type: none"> - Network vegetation management. - Some emergency fault repair work. - Internal Distribution staff undertake work on Networks. - External contractors subcontracted by PowerNet to complete this work. 	<ul style="list-style-type: none"> ❖ Planned - Asset Management Plan ❖ Project managed - Maximo work orders ❖ Payment – Purchase Order

EXAMPLE: Vegetation Management (OJV Works Programme and External Chargeable Work)

The following example is provided to illustrate the procurement process followed by PowerNet (Related Party) for Vegetation Management expenditure on OJV network and external chargeable works:

Project Description:	Vegetation Control (OJV Works Programme)	External Chargeable Work
Project Name:	Trim trees Helensbrook 11kV Feeder	Tree works at Ranfurly
Project Completion Date:	December 2018	July 2018
Project Number:	343568	338967
Total Expenditure:	\$4,116	\$2,907
Regulatory Classification:	Vegetation Management (Operational Expenditure)	Fully Chargeable to Customer
Project Manager:	PowerNet Ltd.	PowerNet Ltd.
Customer:	OJV Network	External Customer

Chargeable to OJV Network

The PowerNet Arborist team became aware of trees growing within the regulatory distance of power lines during a routine Lines inspection in the rural South Otago area. Details of the location and work required ('height & side trim trees to clear 11kV lines by 2.6 metres') were noted on the PowerNet Cut/Trim Notice (CTN 201021).



In this case, for 'first cut' notification, the cost of the work is collated by PowerNet (and on-charged to OJV), rather than the property owner.

Chargeable to Customer

During routine line inspection, a site was identified as needing branches cleared from 11kv lines. A cut/trim notice was issued and the customer given an estimate for the work to be done. The work was undertaken and once the work pack was closed out in Maximo the customer is charged via our accounts team.

Market Testing: The prices charged by PowerNet have been benchmarked against similar line mechanic or technician roles from other external suppliers utilised during 2017-2019. PowerNet labour rates were within +/-13% of the bench marked rates.



In the instance where a second cut is required, the property owner is responsible for the cost. In the event that they chose PowerNet as the contractor of choice, the prices are consistent with prices charged to OJV for vegetation work, indicating competitive market rates being applied.

vi. Business Services (Opex)

Administration processes and systems associated with running OJV network are managed by PowerNet support services teams (eg. Network Assets, Operations, Finance, HSE). A share of these costs are charged to OJV by way of an Agency fee, which would otherwise be directly incurred by OJV, if there was no 'Agency Agreement' (or NMA) in place with PowerNet. For example, OJV requires the PowerNet Finance staff to manage its 'Accounts' administration processes (billing and payments), which include billing and collecting revenue from customers, and arrange for the payment of invoices. These costs are charged out to OJV, and the other EDB's under PowerNet management, at cost, based on a time based allocation methodology.

The calculation of the Agency fee is generated based on guidance provided in the Agency Agreement (or NMA) between OJV and PowerNet. The fee is reviewed each year during the annual business plan process, with cost allocations between different EDB's network and other business functions agreed (eg. metering, external work). This process includes open discussion between EDB's (PowerNet's customers) to ensure appropriate and fair allocation of PowerNet business services costs and efficiency benefits. External advice is provide to customers through a regular review of the PowerNet business plan model and allocation of costs between the parties.

The majority of the business services costs incurred by PowerNet in the course of managing the networks will be managed through the PowerNet Purchase Order system. The Purchase Order system applies financial authority limits to different roles in accordance with the requirements of the PowerNet Procurement Strategy and Financial Approvals Policy. Where there may be a direct cost to OJV, the OJV Purchase Order system processes the payment, in the same manner as PowerNet uses to control the processing of its invoices and payments.

For example, Audit fees will be directly charged to OJV, of which a purchase order is raised and the standard approval and payment processes occurs.

Market Testing: Market testing the provision of business services is very difficult due to the lack of comparability available. However, the benefits of OJV sharing the cost of running these management and administration systems with other EDB's TPCL and EIL (economy of scale benefits), was recognised in an independent benchmarking exercise in 2018 of PowerNet business and network support services to TPCL/EIL/OJV, against other equivalent sized EDB's on a cost per ICP basis. The findings of the review rated OJV favourably against similar sized EDB's in the same peer group.

APPENDIX B:

MAP OF NETWORK EXPENDITURE AND CONSTRAINTS

ID Determination 2.3.13 - 2.3.16

Regulatory requirements

- Electricity Distribution Information Disclosure Amendments Determination 2017 (NZCC 33), clauses 2.3.13 to 2.3.16.
- Input methodologies review – related party transactions final decision and determinations guidance 21 December 2017, table 5.1 (copied below, refer to ID for precise requirements).

The purpose of this section is to identify on a map the anticipated network expenditure and network constraints in respect of the OJV network.

OJV - 10 largest forecast Network Operating Expenditure projects (Maintenance)

- Clause 2.3.13(1), 2.3.14(1) and (2).



The 10 largest forecast Operating Expenditure projects in the 2019-2029 Asset Management Plan for OJV regulated network are explained below, and indicated on the Network map above where relative to a single area:

1. Incident Response – Distribution - \$17.42m

Provision is made for staff, plant and resources to be ready for Lines faults and emergencies. Fault staff respond to make the area safe, isolate the faulty equipment or network section and undertake repairs to restore supply to all customers.

2. Vegetation Management - \$12.19m

Annual tree trimming in the vicinity of overhead network is required to prevent contact with lines maintaining network reliability. The first trim of trees has to be undertaken at OJV's expense as required under the Electricity (Hazards from Trees) Regulations 2003.

3. Distribution Routine Inspections - \$6.85 m

Five yearly network inspections (20% inspected annually), other routine tests and minor maintenance works on distribution assets.

4. Technical Routine Maintenance \$3.98m

Provision is made for staff, plant and resources to be ready for Substation faults and emergencies. Fault staff respond to make the area safe, isolate the faulty equipment or network section and undertake repairs to restore supply to all customers.

5. Technical Routine Inspections - \$1.73m

Routine inspection and testing of assets at zone substations. Includes such things as oil DGA, breakdown, moisture and acidity, operation counts, protection testing etc. Also covers responses to maintenance triggers, such as oil processing or recalibration of relays.

6. Distribution Routine Maintenance - \$1.4m

Generally reactive work undertaken to correct issues found during the routine distribution inspection. Also a general budget for all minor distribution work.

7. Distribution Replacement and Renewal - \$1.23

Refurbishment works for plant other than that located at distribution substations which won't impact on the valuation of the distribution asset. Covers items like cross-arms, insulators, strains, re-sagging lines, stay guards, straightening poles, pole caps, ABS handle replacements etc.

8. Transmission Line Minor Maintenance - \$1.14m

Five-yearly walking condition inspections are made of all subtransmission lines with remedial repairs or renewal planned based on information obtained. Repairs or renewals are planned for all poles whose condition indicates that they are likely to fail before the next inspection.

9. Earth Testing and Review - \$1.01m

Routine testing of earthing assets and connections to ensure safety and functional requirements are met completed for all earths on a five yearly basis.

10. Distribution Corrective Maintenance – \$0.89m

Follow up work in the distribution area after the initial incident response work is complete.

Further detail relating to OJV network Operating Expenditure is provided in a table at the end of this section.

Please Note: All of these projects -

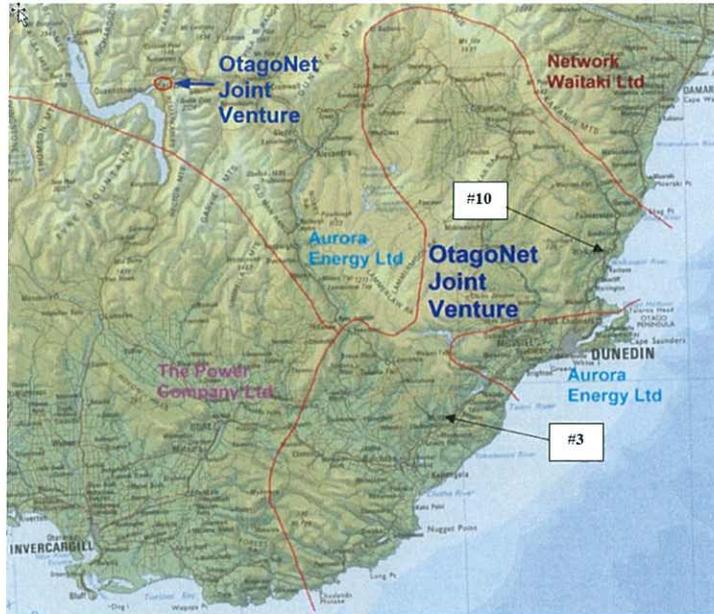
- Are network wide (apply to entire area as shown on map below).
- Have a contract in place that is with PowerNet Limited through an network management agreement (related party).
- Are forecast to require the supply of assets/goods or services by PowerNet Limited (related party).

Possible future constraints related to OJV network Operating Expenditure projects:

There are no identified constraints impacting the network Operating Expenditure budget. All costs are driven by network maintenance requirements and inspection programming.

OJV - 10 largest forecast Network Capital Expenditure projects

- Clause 2.3.13(2), 2.3.14(1) and (2).



The 10 largest forecast Capital Expenditure projects in the 2019-2029 Asset Management Plan for OJV network are explained below, and indicated on the Network map above where relative to a single area:

1. Major New Connection Project - \$38.95m

Rapid growth areas require a corresponding expansion of the local distribution network. The rate of expansion is somewhat unpredictable as the timing and speed of developments are largely driven by commercial factors outside of OJV’s ability to monitor.

\$2.7-4.4M p.a. has been budgeted under Consumer Connection in the short term for projects that have relative certainty; plus an allowance of approximately \$2.6M p.a. in the medium to long term where the location and/or scale of projects is relatively unknown.

2. 11 kV Replacement and Renewal - \$29.82m

Scheduled for every year, the on-going replacements of 11kV line assets. These are identified through routine inspection. As work is planned based on feeders, this renewal and refurbishment covers distribution lines, cables, dropouts and ABS’s. This budget also covers Red tagged pole replacement, Increasing road crossing height, Minor distribution renewals and upgrades.

3. Milton Area Capacity Upgrade - \$21.27m

Two industrial customers have requested significant additional capacity in the Milton area. The additional load will exceed the current capacity of the Balclutha Grid Exit Point (GXP) and the 33 kV lines to Milton. Transpower’s 110 kV lines that supply Balclutha GXP also have capacity limitations whereas there are two 220 kV lines passing through the area with additional capacity available.

A review of the feasible options has indicated a requirement for a new GXP near Milton supplied from the 220 kV grid. A new GXP connected to both 220 kV lines near Milton provides both the capacity required and acceptable security.

Additionally a combination of new subtransmission lines and existing line and substation upgrades will be necessary to supply the industrial sites.

4. 33 kV Line Replacement and Renewal - \$18.67m

33kV line work previously identified through condition assessment that is either on-going or planned. Completion of this work is dependent on customer requirements, land access permission and priority re-assignment as further network condition information becomes available.

5. Unspecified Replacement and Renewal Projects - \$11.41m

The overall objective for replacement and renewal programmes is to get the most out of the network assets by replacing assets as close as possible to their economic end of life. This is balanced by the need to manage workforce resources in the short term and delivery of desired service levels over the long term.

Inspection and testing programmes identify assets that are reaching the end of their economic life while critical assets may be replaced on a fixed time basis. For example 11kV switchboards at zone substations are replaced at the end of their nominal life. Less critical assets or assets provided with redundancy as part of security arrangements may be run to failure and replaced reactively. Assets such as cables may be run to failure several times and repaired before the fault frequency increases to a point that complete replacement is more economic. This approach requires monitoring of failure rates.

Apart from whole of lifecycle cost analysis there are several additional drivers for replacement (though they can often be reduced to a cost analysis) including operational or public safety, risk management, declining service levels, accessibility for maintenance, obsolescence and new technology providing options for additional features or alternative solutions.

This provision is for asset replacement and renewal projects that are yet to be identified and are expected to be implemented in 2024-29.

6. LV Line Replacement and Renewal - \$7.43m

Low voltage line work previously identified through condition assessment that is either on-going or planned. Completion of this work is dependent on customer requirements, land access permission and priority re-assignment as further network condition information becomes available.

7. Unspecified System Growth Projects - \$5.58m

Development projects may be driven by the need to create additional network capacity for supplying increasing demand. These drivers are monitored and trigger points set to identify when development projects are needed. When a development trigger is reached, several options are considered with the most cost efficient option selected as a solution.

Forecasts for demand growth are required to help OJV predict when in future years the development triggers will be reached, thus enabling effective planning of future projects. Historical demand is trended and projected into future years while accounting for foreseeable future drivers that may cause a change to the current trend. Projections and associated planning are based on what is considered the most likely scenario, while OJV's strategy of deferring capital expenditure until necessary minimises the risk of overinvestment.

This provision is for system growth projects that are yet to be identified and are expected to be implemented in 2025-29.

8. Customer Connections ($\geq 100\text{kVA}$) - \$5.36m

Scheduled for every year, planning for new connections uses averages based on historical trending, modified by any local knowledge if appropriate however customer requirements are generally unpredictable and quite variable. Larger customers especially, which have the greatest effect on the network, tend not to disclose their intentions until connection is required (perhaps trying to avoid alerting competitors to commercial opportunities), so cannot be easily planned for in advance. Various options are considered generally to determine the least cost option for providing the new connection. Work required depends on the customer's location relative to existing network and the capacity of that network to supply the additional load. This can range from a simple LV connection at a fuse in a distribution pillar box at the customer's property boundary, to upgrade of LV cables or replacement of overhead lines with cables of greater rating, up to requirement for a new transformer site with associated 11kV extension if required.

9. SWER Line Replacement and Renewal - \$4.95m

Single Wire Earth Return line work previously identified through condition assessment that is either on-going or planned over the next 5 years. Completion of this work is dependent on customer requirements, land access permission and priority re-assignment as further network condition information becomes available.

10. Quarry Road Substation - \$3.06m

The present Merton substation feeding the Waikouaiti area is reaching the N-1 capacity of the transformers, and the 11kV and 33kV structures have deteriorating wooden poles and components. The supply security is below the EEA guidelines as there are insufficient 11kV back-feeds available for loss of the single 33kV supply.

The substation is low lying alongside the Waikouaiti River and is prone to flooding and is at risk from tsunami or liquefaction following a seismic event.

The new Quarry Road substation is to be built close to Waikouaiti, its major load centre.

Further detail relating to OJV network Operating Expenditure in a table at the end of this section.

Please Note: All of these projects -

- Are network wide (apply to entire area as shown on map below), with the exception of #8 and #9 which are pinpointed on the map below
- Have a contract in place that is with PowerNet Limited through an agency agreement (related party)
- Are forecast to require the supply of assets/goods or services by PowerNet Limited (related party)

Possible future constraints related to OJV network Capital Expenditure projects:



The map above indicates where potential future constraints may impact the OJV network performance:

3. Milton Capacity Upgrade

Constraint – Unable to provide requested capacity to new industrial loads, timing being 2-4 years.

7. Unspecified System Growth Projects

Constraint – Unable to maintain supply voltage due to forecast load growth, timing being 7-10 years.

OJV - 10 largest forecast Network Operating Expenditure projects (Maintenance)

- Clause 2.3.13(1), 2.3.14(1) and (2).

Project	Project description ¹	Likely timing ²	Value ³	Location ⁴	Contract in place ⁵	Is contract with RP ⁶	Forecast to include RP ⁷	Currently not indicated for RP ⁸
#1	Incident Response - Distribution	Every year	\$17.42M	Network Wide	Yes	Yes	Very likely	N/A
#2	Vegetation Management	Every year	\$12.19M	Network Wide	Yes	Yes	Very likely	N/A
#3	Distribution Routine Inspections	Every year	\$6.85M	Network Wide	Yes	Yes	Very likely	N/A
#4	Technical Routine Maintenance	Every year	\$3.98M	Network Wide	Yes	Yes	Very likely	N/A
#5	Technical Routine Inspections	Every year	\$1.73M	Network Wide	Yes	Yes	Very likely	N/A
#6	Distribution Routine Maintenance	Every year	\$1.40M	Network Wide	Yes	Yes	Very likely	N/A
#7	Distribution Replacement and Renewal	Every year	\$1.23M	Network Wide	Yes	Yes	Very likely	N/A
#8	Transmission Line Minor Maintenance	Every year	\$1.14M	Network Wide	Yes	Yes	Very likely	N/A
#9	Earth Testing and Review	Every year	\$1.01M	Network Wide	Yes	Yes	Very likely	N/A
#10	Distribution Corrective Maintenance	Every year	\$0.89M	Network Wide	Yes	Yes	Very likely	N/A

¹ Clause 2.3.13(1).

² Clause 2.3.13(1).

³ Clause 2.3.13(1).

⁴ Clause 2.3.13(1).

⁵ Clause 2.3.14(1)(a).

⁶ Clause 2.3.14(1)(a).

⁷ Clause 2.3.14(1)(b).

⁸ Clause 2.3.14(1)(c).

OJV - 10 largest forecast Network Capital Expenditure projects

- Clause 2.3.13(2), 2.3.14(1) and (2).

Project	Project description	Likely timing	Value	Location	Contract in place?	Is contract with RP?	Forecast to include RP?	Currently not indicated for RP
#1	Major New Connections Projects	Every year	\$38.95M	Network Wide	Yes	Yes	Very likely	N/A
#2	11 kV Line Replacement and Renewal	Every year	\$29.82M	Network Wide	Yes	Yes	Very likely	N/A
#3	Milton Area Capacity Upgrade	2021-2024	\$21.27M	#3	No	N/A	Very likely	N/A
#4	33 kV Line Replacement and Renewal	Every year	\$18.67M	Network Wide	Yes	Yes	Very likely	N/A
#5	Unspecified Replacement & Renewal Projects	2024-2029	\$11.41M	Network Wide	No	N/A	Very likely	N/A
#6	LV Line Replacement and Renewal	Every year	\$7.43M	Network Wide	Yes	Yes	Very likely	N/A
#7	Unspecified System Growth Projects	2025-2029	\$5.58M	Network Wide	No	N/A	Very likely	N/A
#8	Customer Connections (≥ 100kVA)	Every year	\$5.36M	Network Wide	Yes	Yes	Very likely	N/A
#9	SWER Line Replacement and Renewal	Every year	\$4.95M	Network Wide	Yes	Yes	Very likely	N/A
#10	Quarry Road Substation	2019-2024	\$3.06m	#10	No	N/A	Very likely	N/A

Possible future constraints related to OJV network Capital Expenditure projects:

- Clause 2.3.13(4), 2.3.14(1) and (2).

Description of constraint	Related to CapEx project #	Expected timing of constraint
Unable to provide requested capacity to new industrial loads	#3	2-4 years
Unable to maintain supply voltage due to expected load growth	#7	7-10 years



Independent Appraiser's Report

To the Governing Committee Members of OtagoNet Joint Venture, the Directors of Electricity Southland Limited and the Commerce Commission

Independent Appraiser Report on Related Party Transactions Pursuant to Electricity Distribution Information Disclosure Determination 2012

This report is for the OJV Regulatory Network ('the Network') which includes:

- Electricity Southland Limited ('ESL') which operates the ESL network; and
- OtagoNet Joint Venture ('OJV'), consisting of a joint venture between Electricity Invercargill ('EIL') and The Power Company ('TPC'), which operates the OJV network.

The Governing Committee for OJV mirrors the Board of ESL. Any reference to the Governing Committee of the Network in this report therefore includes reference to those charged with governance of both OJV and ESL.

We have completed our reasonable assurance engagement in respect of the compliance of the Network with the related party requirements, as set out in the Electricity Distribution Information Disclosure Determination 2012 (the 'ID Determination') for the disclosure year ended 31 March 2019 where we are required to report on:

- whether the Network's basis for valuation of related party transactions ('valuation of related party transactions'), has complied, in all material respects, with clause 2.3.6 of the ID Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 ('the IM Determination'); and
- whether the steps taken by the Network, as specified under the "*Summary of steps and analysis undertaken by the Network to test compliance*" are considered to be, in all material respects, reasonable in the circumstances.

Qualified Opinion

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report:

- the basis for valuation of related party transactions for the disclosure year ended 31 March 2019 complies, in all material respects, with the ID Determination and the IM Determination; and
- the steps undertaken by the Network, as specified under the "*Summary of steps and analysis undertaken by the Network to test compliance*" are considered to be, in all material respects, reasonable in the circumstances.



Basis for Qualified Opinion

The information provided by the Network to support the arm's length valuation for certain related party expenditures could not be verified against independent objective measures. Sufficient appropriate audit evidence could therefore not be obtained to conclude on whether the basis for valuation of these related party expenditures complies, in all material respects, with the ID Determination and IM Determination. Additional information regarding the Network's steps and our procedures are noted under Step 4 on pages 10 to 11 and Step 5 on pages 12 to 13 of this report. This limitation in evidence is in respect of related party capital expenditure of \$4,208,000 and operating expenditure of \$476,000 included in schedule 5b of the Network's 2019 Information Disclosure Schedules.

Consequently, we were unable to determine whether any adjustments to these amounts would be necessary to ensure compliance with the ID Determination and IM Determination.

We conducted our engagement in accordance with ISAE (NZ) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and SAE 3100 (Revised) *Compliance Engagements* to obtain reasonable assurance that the Network has complied in all material respects with the relevant related party valuation requirements as set out in the ID Determination and the IM Determination for the year ended 31 March 2019.

In forming our qualified opinion, except as explained in the *Basis for Qualified Opinion* section of our report, we have obtained sufficient recorded evidence and all the information and explanations we have required.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of the Network. Other than our role as financial statement auditors our firm carries out other services for the Network in the areas of compliance with regulatory requirements of the Commerce Act 1986, the provision of regulatory update advisory services and tax pooling services. The provision of these other services has not impaired our independence as Appraiser of the Network.



Our approach

Materiality

Our assurance engagement is designed to obtain reasonable assurance about the Network's qualitative and quantitative compliance, in all material respects, with the ID Determination and IM Determination.

Quantitative materiality level was determined as 2% of total related party transactions. Qualitative factors were also considered when assessing the arm's length valuation rules on related party transactions.

The scope of our assurance engagement was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our assurance engagement, the nature, timing and extent of our assurance procedures and to evaluate the effect of misstatements, both individually and in aggregate on the related party information as a whole.

Key assumptions we made in carrying out our procedures

In carrying out our procedures we have relied on the internal controls at OJV and ESL relating to the identification of related party transactions and the valuation of related party transactions that we tested, and placed reliance on, during our audits of the financial statements for the year ended 31 March 2019 in relation to our work as the independent appraiser for the disclosure year ended 31 March 2019.

Basis used for sampling of related party transactions

We obtained the Network's assessment of their compliance with the relevant related party valuation requirements in the ID Determination and IM Determination.

We selected a sample of related party transactions on a haphazard basis across a range of transactions and services, and agreed these to the supporting information provided by the Network to demonstrate the independent and objective measure used for those transactions and services, to determine whether it has been valued in accordance with the related party valuation requirements in the ID Determination and IM Determination.

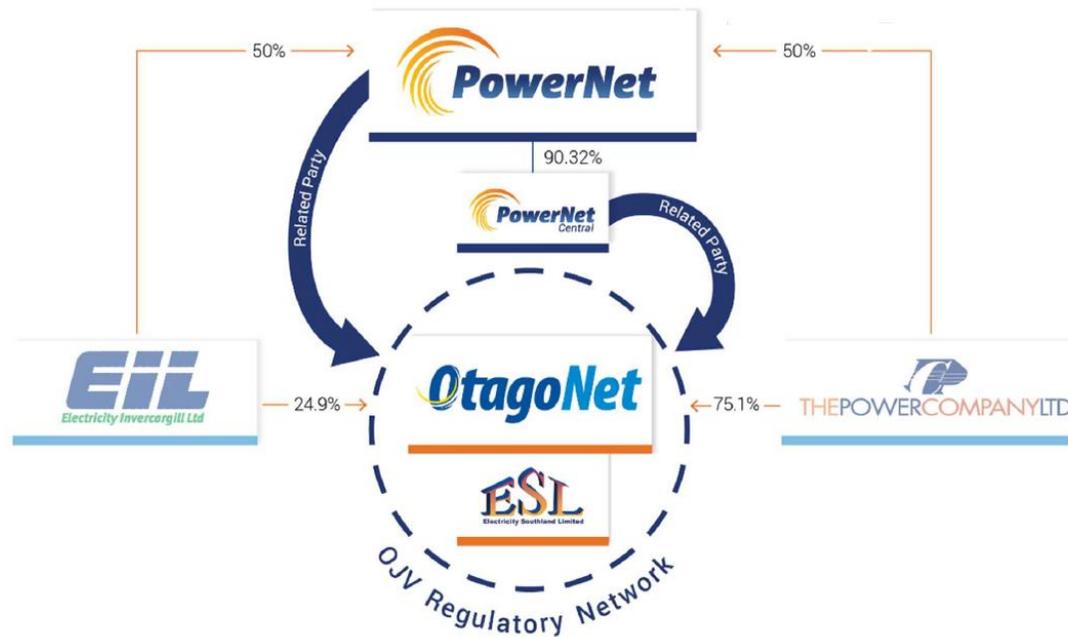
Steps and analysis undertaken in testing compliance

Step 1) Identifying related party relationships and transactions

Summary of steps undertaken by the Network to demonstrate compliance

The Network identified all related party relationships in accordance with the ID Determination, and disclosed these in Appendix A to the 2019 Information Disclosure Schedules as prepared and published under the ID Determination.

The parties to the Network are related. PowerNet Limited ('PowerNet') and PowerNet Central Limited ('PCL') are related parties due to common ownership.





During the year related party transactions occurred with PowerNet and PCL.

- PowerNet provides network management services to OJV, EIL and TPC, under equivalent NMAs.
- PowerNet subcontracts external parties to assist it in providing these services where appropriate.
- PowerNet recovers its costs from OJV and the other network companies through an agency fee for network management/business support services, direct pass through of labour and material charges, and a commercial mark-up on capital and maintenance to recover PowerNet's costs and contribute to profit.
- PowerNet also undertakes contestable works for other customers on the same terms.
- PowerNet entered into a NMA with ESL post year-end.
- PCL provides network design services, capital construction works, maintenance, and fault services to ESL.
- PCL recovers its costs from ESL through labour and material charges with a commercial mark-up to recover PCL's costs and contribute to profit.

Related party transactions between *the Network and PowerNet* during the year ended 31 March 2019:

	\$'000
Operating Expenditure (opex):	
i. Service interruption and emergencies	2,049
ii. Vegetation management	1,582
iii. Routine & corrective maintenance	1,683
iv. Asset replacement and renewal	121
v. System operations & network support	857
vi. Business support	<u>1,525</u>
Total opex	7,817
Capital Expenditure (capex):	
vii. Consumer connection	1,007
viii. System growth	31
ix. Asset replacement and renewal	6,451
x. Quality of supply	1,669
xi. Other reliability, safety and environment	<u>3,005</u>
Total capex	12,163

Total PowerNet Related Party Expenditure 19,980

Related party transactions between *the Network and PCL* during the year ended 31 March 2019:

	\$'000
Operating Expenditure (opex):	
i. Service interruption and emergencies	25
ii. Routine & corrective maintenance	<u>20</u>
Total opex	45
Capital Expenditure (capex):	
iii. Consumer connection	2,750
iv. System growth	240
v. Asset replacement and renewal	<u>5</u>
Total capex	2,995

Total PCL Related Party Expenditure 3,040



Our procedures undertaken

We have tested the completeness and accuracy of the related party relationships and transactions by:

- Agreeing the disclosures within Appendix A and Schedule 5b of the 2019 Information Disclosure schedules to the aggregate disclosures in the audited financial statements of OJV and ESL for the year ended 31 March 2019 and to their respective accounting records, investigating any differences and determining whether any such differences are justified; and
- Applying our understanding of the business structures against the related party definition in the IM Determination clause 1.1.4(2)(b) to assess OJV and ESL's identification of any "unregulated parts" of the entities respectively.

Step 2) Outlining the intent behind the OJV agency agreement with PowerNet

Summary of steps undertaken by the Network to demonstrate compliance of the OJV related party transactions with PowerNet

OJV incurred 75% of its capex and the majority of its operating costs for its electricity distribution business from PowerNet, in accordance with the explicit terms and conditions of the PowerNet Network Management Agreement ('NMA').

While OJV owns the network assets, under the NMA PowerNet manage the network assets, carry out an agreed capital works programme, have the exclusive right to provide line function services and provide the business administration services on behalf of OJV.

PowerNet was established in 1994 to extract operational efficiencies from the merger of field work management, asset management and office based functions performed by TPC and EIL. In 1993, there were two autonomous lines companies in Southland (TPC and EIL). Each had separate staff, management and Board of Directors, and each had a different ownership structure. We understand the Board of both companies recognised there would be significant economies of scale benefits if there were a single lines company covering the area. Due to different ownership we understand a single lines company was not considered possible, however a single network management entity was a viable option.

PowerNet increased its operations to include OJV and ESL, and therefore extended its scale and opportunity for efficiency. Part of the policy intent of the new related party rules is to address concerns that related parties may be inefficient which may cause the Network to overcharge consumers. OJV notes that the intent of the PowerNet Group structure and NMA was to generate cost efficiencies and savings through economy of scale, improve network reliability and secure qualified staff to efficiently maintain the network assets within the region.

ESL did not have a NMA with PowerNet during the disclosure year.



Our procedures undertaken

The background information provided by OJV is in line with our understanding of the intent behind the group structure and agency/management agreement between OJV and PowerNet.

We obtained the minutes of OJV's Governing Committee meetings and noted:

- Approval of the NMA and annual business plan by the OJV Governing Committee;
- A focus on ensuring efficient cost and effective management of the network with regular measurement of performance and monitoring in the monthly OJV Governing Committee reports;
- External reports obtained and presented to the OJV Governing Committee on prudence and efficiency of forecast spends and benchmarking of operational cost efficiency; and
- An independent report obtained focussed on the appropriate allocation of PowerNet costs between the four network customers.

We obtained all PowerNet's NMAs and note the agreements are consistent for TPC, EIL and OJV. This equivalence demonstrates that the transactions with OJV are consistent with the regional market.

Step 3) Assessing compliance with the definition of an arm's length transaction (in accordance with ISA (NZ) 550)

From 1 April 2018, a principles based approach to the valuation of related party transactions is being applied. All related party transactions must meet the arm's length valuation rule for ID disclosures, based on the following definition of arm's length transaction from the International Standard for Auditing (NZ) 550: "a transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests".

Summary of steps undertaken by the Network to demonstrate compliance

OJV acknowledges that meeting the 'arm's length' valuation criteria, as defined above, is challenging due to the ownership structure and significant amount of work PowerNet manages on behalf of OJV under the NMA. Similarly, the significant amount of work performed by PCL for ESL creates challenges in meeting the arm's length criteria as well.

OJV performed an analysis of the arm's length definition and have set out its interpretation in Appendix A to the 2019 Information Disclosure Schedules. Key points are summarised below:

- Terms and conditions*
The OJV purchasing terms and conditions applied to PowerNet, are the same as applied to other suppliers. In turn, the purchasing terms and conditions PowerNet applies, are the same to OJV as any other customer.



- ii. *Willing buyer and willing seller who are unrelated*
The internal labour rates applied by PowerNet, and commercial mark-up rates are the same to OJV and all other customers for similar services, indicating that the parties are acting consistent with the principle of willing buyer and willing seller who are unrelated.
- iii. *Acting independently*
OJV is related to PowerNet by way of common ownership, however with regards to acting independently, PowerNet operates with the level of independence of a separate entity, as the ownership is held by two shareholders with differently ownership structures. Each entity has its own Governing Committee/Board of Directors who act independently in their roles.
- iv. *Pursuing their own best interests*
Both shareholders of PowerNet have different ownership structures (TPC owned by a Consumer Trust, and EIL owned by the Invercargill City Council), and different regulatory requirements. This unrelated ownership ensures a review process when preparing budgets and analysing performance, to make sure one shareholder is not disadvantaged over the other with each entity pursuing their own best interest.

ESL performed the following analysis of the arm's length definition for transactions with PCL:

A substantial portion of PCL's turnover is from services provided to unrelated entities. However, it is difficult to assess whether the terms and conditions applied are for substantially the same goods or services. The ESL board is consistent with the OJV board and the PCL board is consistent with the PowerNet board. The principles associated with iii) and iv) above therefore also apply to the transactions between ESL and PCL.

Our procedures undertaken

PowerNet performed 75% of OJV's capex and 90% of OJV's opex during the year ended 31 March 2019. Whilst PowerNet performs the majority of OJV's capex and opex work, we note that 40% of the costs relate to external materials and labour obtained at arm's length.

We have performed the following procedures over OJV's arm's length definition assessment:

- i. *Terms and conditions*
Agreed the OJV standard terms and conditions to the PowerNet standard terms and conditions (applied to both OJV and external customers) and noted no variation.
- ii. *Willing buyer and willing seller who are unrelated*
Obtained a copy of a contract with an unrelated PowerNet customer and agreed the internal labour rates and commercial mark-up to that charged to OJV.
- iii. *Acting independently*
We note that the PowerNet Board has obligations to all of its customers, through its terms and conditions of supply. From a PowerNet perspective, Directors must meet their fiduciary duties by honouring those obligations. They cannot favour OJV because PowerNet has multiple customers.



iv. *Pursuing their own best interest*

We considered evidence obtained through our other procedures which indicates how each entity pursues its own best interest below:

How does PowerNet pursue its own best interests?

- It ensures all customers have the same terms of trade;
- It seeks customer approval of its annual works programme;
- It sub-contracts work where there are better outcomes for its customers; and
- It negotiates wholesale purchase agreements to minimise costs.

How OJV pursues its own best interests?

- It ensures PowerNet's other customers do not receive favourable terms;
- It monitors the performance of PowerNet; and
- It approves PowerNet's work plans for its network.

We have performed the following procedures over ESL's arm's length definition assessment:

- We noted consistent Boards between OJV and ESL as well as between PowerNet and PCL;
- We note that the PCL Board has obligations to all of its customers, through its terms and conditions of supply. From a PCL perspective, Directors must meet their fiduciary duties by honouring those obligations. They cannot favour ESL because PCL has multiple customers; and
- We could not verify whether the terms and conditions applied to ESL by PCL is consistent with those associated with substantially the same goods or services to other PCL customers. Refer to Step 5) for further consideration of the impact on our independent appraiser report.



Step 4) Obtaining independent and objective measures to support the arm's length principle for transactions with PowerNet

Summary of steps undertaken by the Network to demonstrate compliance of the related party transactions with PowerNet

The independent and objective measures used by Network to demonstrate prices paid to PowerNet are no more than arm's length transaction value are as follows.





Our procedures undertaken

We obtained the Network's assessment of the available independent and objective measures used in supporting the arm's length valuation principle.

We noted that procedures are in place for monitoring of costs. We performed the following procedures over a sample of transactions at the work order level for OJV:

- Agreed the make-up of costs (as reported by OJV above) to the work order within the Tech1 system;
- Agreed individual costs to supporting invoices (from external suppliers) or agreed rates (such as labour and equipment rates);
- Agreed the internal labour rates and mark-ups charged to those used in the labour rates benchmarking analysis;
- Tested appropriate approval of project costs at completion of the project by the project manager; and
- Tested compliance with the procurement policy/process as disclosed in Appendix A to the Information Disclosure Schedules.

We performed the following procedures on the individual components of costs as outlined by OJV to obtain evidence regarding the appropriateness of and level of comfort obtained from the independent and objective measures provided:

External labour and material (Opex - \$651k and Capex - \$6.5m)

- Obtained a copy of the electrical supply agreement, which covers a significant portion of the costs and noted quarterly reviews of prices and performance; and
- Agreed external costs, for a sample of work orders, to supporting invoices from external suppliers.

Mark-up external labour & materials (Capex - \$1.2m and Opex - \$476k)

- Obtained the NMA and minutes of OJV Governing Committee meetings and noted approval by the OJV Governing Committee of the cost allocation methods;
- Obtained all of the PowerNet NMAs and note consistent terms and mark-up rates are applied to PowerNet's EDB customers; and
- Obtained an independent advisor report prepared on the reasonableness of the allocation of costs between the PowerNet EDB customers. We note the report supports the transparent and consistent application of cost allocation between PowerNet's EDB customers.

The evidence supporting the costs associated with the mark-up on external labour and material on capex and opex are consistent across PowerNet's EDB customers. However, the capex and opex mark-up rates have not been compared to external capex and opex mark-up rates and therefore no independent objective measures were provided to support the arm's length valuation principle. We have considered the impact of the lack of independent and objective measures to support the arm's length principle on our opinion due to the material value of the expenditure. Refer to the Basis for our Qualified Opinion section of the report for further details.



Internal labour & equipment charges (Opex - \$4.2m and Capex - \$4.5m)

- Obtained a copy of the independent electrical engineer's report on the 2018/19 works programme review which assessed the forecast spend of a sample of projects for prudence and efficiency. We note even though all projects selected met the prudence criteria only the capex and vegetation management opex projects met the efficiency criteria. For the remaining opex projects OJV could not demonstrate that the unit costs rates for the exclusive services performed by PowerNet are comparable to market rates;
- We obtained subsequent benchmarking performed by OJV over opex and capex labour and equipment rates;
- Agreed PowerNet labour and equipment rates to a sample of work orders to ensure they agree to rates charged to OJV during the year;
- Agreed market/competitor rates to supporting documentation such as quotes or invoices;
- Recalculated the variances and average percentages between PowerNet rates and other market rates;
- Considered the reasonableness of the variance of labour rates between PowerNet and market rates and accept the PowerNet rates as within an acceptable range when compared to the industry benchmarking performed by OJV. The majority of the rates are below the benchmarked market rates with the remaining rates considered within an acceptable range of up to 15%.

Business, system & network support (Opex - \$2.4m)

- Obtained a copy of the NMA and understood how costs are recovered through the agency fee;
- Obtained the NMA and minutes of OJV's Governing Committee meetings and note approval by the OJV Governing Committee of the agency fee;
- Obtained the OJV business plan FY18/19 and note approval by the OJV Governing Committee of the basis for allocation of the agency fee;
- Obtained an independent advisor report prepared on the reasonableness of the allocation of costs between the PowerNet EDB customers. We note the report supports the transparent and consistent application of cost allocation between PowerNet's EDB customers;
- Obtained benchmarking performed on business and system support costs through the use of the historic information disclosure schedules and note OJV's business and system support costs per Installation Control Point (ICP) rate well in comparison to its peer group (by size and ICP density). These costs have also reduced over the past five years, whereas industry and peer group averaged costs per ICP have remained relatively constant, in nominal terms.

Step 5) Obtaining independent and objective measures to support the arm's length principle for transactions with PCL

Summary of steps undertaken by the Network to demonstrate compliance of the related party transactions with PCL

The independent and objective measures used by the Network to demonstrate prices paid to PCL are no more than arm's length transaction value are as follows:

- The related party transactions associated with opex is considered immaterial and no further assessment deemed necessary;
- For capital expenditure the rates charged were compared to that of PowerNet to confirm whether the conclusions reached on labour rates on OJV also apply to ESL;
- A significant portion of PCL's turnover during the year ended 31 March 2019 were from unrelated entities; and



- Materials are sourced from external suppliers, on a traditional arm's length basis including an electrical supply agreement on similar terms to that entered into by PowerNet.

Our procedures undertaken - ESL

We obtained the ESL's assessment of the available independent and objective measures used in supporting the arm's length valuation principle.

We performed the following procedures:

- Confirmed the operating expenses procured from related parties (\$45k) as immaterial with no further procedures deemed necessary;
- Obtained the benchmarking of rates performed against those charged by PowerNet. However, we could not confirm whether the terms and conditions of PowerNet and PCL transactions were on the same basis and for substantially similar services and therefore we could not determine whether the rates were comparable;
- We noted from the annual financial statements of PCL 60% of turnover were not from related parties. However, no benchmarking was performed over the external rates charged by PCL to ESL and external contractors; and
- Obtained a copy of the electrical supply agreement, which covers a significant portion of the costs and noted substantially the same terms and conditions to the PowerNet supply agreement.

The capex charged by PCL to ESL during the year ended 31 March 2019 (\$3m) have not been benchmarked to external capex rates for substantially the same good or service and therefore no independent objective measures were provided to support the arm's length valuation principle. We have considered the impact of the lack of independent and objective measures to support the arm's length principle on our opinion due to the material value of the expenditure. Refer to the Basis for our Qualified Opinion section of the report for further details.

Governing Committee Member's Responsibilities

The Governing Committee Members are responsible on behalf of the Network for:

- compliance with the ID Determination and the valuation of related party transactions in accordance with the ID Determination and the IM Determination; and
- the identification of risks that threaten such compliance and controls which will mitigate those risks and monitor ongoing compliance.

Appraisers' Responsibilities

Our responsibility is to prepare an independent appraiser report in accordance with clause 2.8.4 of the ID Determination. In preparing the report we are required to express an opinion on whether, for the disclosure year ended 31 March 2019, the basis for valuation of related party transactions complies, in all material respects, with the ID Determination and the IM Determination, and whether the steps taken by the Network to test whether it complies, are considered to be, in all material respects, reasonable in the circumstances.

Our engagement has been conducted in accordance with ISAE (NZ) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and SAE 3100 (Revised) *Compliance Engagements* which require that we plan and perform our procedures to obtain reasonable assurance.



An assurance engagement to report on the Network's compliance with the ID Determination and the IM Determination involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the relevant related party valuation requirements of the ID Determination and the IM Determination. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the relevant related party valuation requirements of the ID Determination and the IM Determination.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the disclosure year ended 31 March 2019 does not provide assurance on whether compliance with the relevant related party valuation requirements of the ID Determination and the IM Determination will continue in the future.

Who we report to

This report has been prepared for the Governing Committee of OtagoNet Joint Venture, the Board of Directors of Electricity Southland Limited and the Commerce Commission ('the Parties') in accordance with clause 2.8.4 of the ID Determination and is provided solely to assist you in establishing that compliance requirements have been met. Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Parties, or for any purpose other than that for which it was prepared.

The engagement partner on the assurance engagement resulting in this independent appraiser's report is Elizabeth Adriana (Adri) Smit, who is a licensed auditor with the New Zealand Institute of Chartered Accountants which forms part of Chartered Accountants Australia and New Zealand.

PricewaterhouseCoopers.

Chartered Accountants
2 September 2019

Christchurch, New Zealand



Independent Auditor's Report

To the Governing Committee Members of OtagoNet Joint Venture, the Directors of Electricity Southland Limited and the Commerce Commission

Assurance Report Pursuant to Electricity Distribution Information Disclosure Determination 2012

This report is for the OJV Regulatory Network ('the Network') which includes:

- Electricity Southland Limited ('ESL') which operates the ESL network; and
- OtagoNet Joint Venture ('OJV'), consisting of a joint venture between Electricity Invercargill ('EIL') and The Power Company ('TPC'), which operates the OJV network.

The Governing Committee for OJV mirrors the Board of ESL. Any reference to the Governing Committee of the Network in this report therefore includes reference to those charged with governance of both OJV and ESL.

We have completed our reasonable assurance engagement in respect of the compliance of the Network with the Electricity Distribution Disclosure Information Determination 2012 (the 'Information Disclosure Determination') for the disclosure year ended 31 March 2019 where we are required to opine on:

- whether the Network has complied, in all material respects, with the Information Disclosure Determination, in preparing the information disclosed under schedules 1 to 4, 5a to 5g, 6a and 6b, 7, the related party transactions information disclosed in Appendix A, and the explanatory notes disclosed in boxes 1 to 11 in Schedule 14 ('the Disclosure Information'); and
- whether the Network's basis for valuation of related party transactions ('valuation of related party transactions'), has complied, in all material respects, with clause 2.3.6 of the Information Disclosure Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 ('the Input Methodologies Determination').

Qualified Opinion

In our opinion, except for the matters described in the *Basis for Qualified Opinion* section of our report:

- As far as appears from our examination, proper records have been kept by ESL and OJV to enable the complete and accurate compilation of the Disclosure Information;
- The information used in the preparation of the Disclosure Information has been properly extracted from the ESL and OJV's respective accounting and other records and has been sourced where appropriate, from their respective financial and non-financial systems;
- The Network has complied, in all material respects, with the Information Disclosure Determination in preparing the Disclosure Information; and
- The basis for valuation of related-party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

Basis for Qualified Opinion

The information provided by the Network to support the arm's length valuation for certain related party expenditures could not be verified against independent objective measures. Sufficient appropriate audit evidence could therefore not be obtained to conclude on whether the basis for valuation of these related party expenditures complies, in all material respects, with the Information Disclosure Determination and Input Methodologies Determination. This limitation in evidence is in respect of the related party capital expenditure of \$4,208,000 and operating expenditure of \$476,000 included in schedule 5b of the Disclosure Information.



Consequently, we were unable to determine whether any adjustments to this amount would be necessary to ensure compliance with the Information Disclosure Determination and Input Methodologies Determination.

We conducted our engagement in accordance with ISAE (NZ) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and SAE 3100 (Revised) *Compliance Engagements* to obtain reasonable assurance that the Joint Venture has complied in all material respects with the Information Disclosure Determination and Input Methodologies Determination in the preparation of the Schedules for the year ended 31 March 2019.

In forming our qualified opinion, except as explained in the *Basis for Qualified Opinion* section of our report, we have obtained sufficient recorded evidence and all the information and explanations we have required.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of the Network. Our firm carries out other services for the Network in the areas of compliance with regulatory requirements of the Commerce Act 1986, financial statement audit, the provision of regulatory update advisory services and tax pooling services. The provision of these other services has not impaired our independence as auditor of the Network.

Our audit approach

Overview



Our assurance engagement is designed to obtain reasonable assurance about the Network's qualitative and quantitative compliance, in all material respects, with the Information Disclosure Determination and Input Methodologies Determination.

Quantitative materiality levels are determined for individual schedules included in the Disclosure Information based on the nature of the information set out in the schedules.

Profit based schedules – 5% of Regulatory profit before tax

Asset based schedules – 1% of Regulatory asset base

Performance based schedules – 5% of non-financial measures

Related party transactions – 2% of total related party transactions. Qualitative factors were also considered when assessing the arm's length valuation rules on related party transactions.

We have determined that there is one key assurance matter:

- Regulatory Asset Base
-



Materiality

The scope of our assurance engagement was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our assurance engagement, the nature, timing and extent of our assurance procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Disclosure Information as a whole.

Scope

Our procedures included analytical procedures, evaluating the appropriateness of assumptions used and whether they have been consistently applied, agreement of the Disclosure Information to, or reconciling with, source systems and underlying records, an assessment of the significant judgements made by the Network in the preparation of the Disclosure Information and valuing the related party transactions, and evaluation of the overall adequacy of the presentation of supporting information and explanations. These procedures have been undertaken to form an opinion as to whether the Network has complied, in all material respects, with the Information Disclosure Determination in the preparation of the Disclosure Information for the year ended 31 March 2019, and whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement were of most significance in carrying out the assurance engagement during the current disclosure year. These matters were addressed in the context of our assurance engagement as a whole, and in forming our opinion. We do not provide a separate opinion on these matters. In addition to the matter described in the *Basis of qualified opinion* section of our report, we have determined the matters described below to be Key Assurance Matters.

Key assurance matter	How our procedures addressed the key assurance matter
<p data-bbox="258 1301 507 1330"><i>Regulatory Asset Base</i></p> <p data-bbox="258 1357 804 1688">The Regulatory Asset Base (RAB), as set out in Schedule 4, reflects the value of the Network’s electricity distribution assets. These are valued using an indexed historic cost methodology prescribed by the Determination. It is a measure which is used widely and is key to measuring the Network’s return on investment and therefore important when monitoring financial performance or setting electricity distribution prices.</p> <p data-bbox="258 1720 804 1928">The RAB inputs, as set out in the Input Methodologies, are similar to those used in the measurement of fixed assets in the financial statements, however, there are a number of different requirements and complexities which require careful consideration.</p> <p data-bbox="258 1960 804 2089">Due to the importance of the RAB within the regulatory regime, the incentives to overstate the RAB value, and complexities within the regulations, we have considered it to be a key</p>	<p data-bbox="826 1301 1477 1431">We have obtained an understanding of the compliance requirements relevant to the RAB as set out in the Information Disclosure Determination (ID Determination) and the Input Methodologies (IMs).</p> <p data-bbox="826 1447 1374 1478">We have performed the following procedures:</p> <p data-bbox="868 1494 1126 1525"><i>Assets commissioned</i></p> <ul data-bbox="842 1529 1517 1944" style="list-style-type: none"> <li data-bbox="842 1529 1517 1655">• We reconciled the assets commissioned as per the regulatory fixed asset register to the asset additions disclosed in the audited annual financial statements, and investigated any reconciling items; <li data-bbox="842 1671 1517 1832">• We inspected the assets commissioned during the period, as per the regulatory fixed asset register, to identify any specific cost or asset type exclusions, as set out in the ID Determination, which are required to be removed from the RAB; <li data-bbox="842 1848 1517 1944">• We tested a sample of assets commissioned during the disclosure period for appropriate asset category classification; <p data-bbox="868 1960 1031 1991"><i>Depreciation</i></p> <ul data-bbox="842 1995 1517 2098" style="list-style-type: none"> <li data-bbox="842 1995 1517 2056">• We compared the standard asset lives by asset category to those set out in the IMs; <li data-bbox="842 2072 1517 2098">• For assets with no standard asset lives we assessed the



Key assurance matter	How our procedures addressed the key assurance matter
<p>area of focus.</p>	<p>reasonableness of the lives used by reference to the accounting depreciation rates;</p> <ul style="list-style-type: none"> • We tested the mathematical accuracy of the depreciation calculation on a sample basis and that it is performed in line with IM clause 2.2.5; <p><i>Revaluation</i></p> <ul style="list-style-type: none"> • We recalculated the revaluation rate set out in the Input Methodologies using the relevant Consumer Price Index indices taken from the Statistics New Zealand website; • We tested the mathematical accuracy of the revaluation calculation performed by management; <p><i>Disposals</i></p> <ul style="list-style-type: none"> • We inspected the asset disposals within the accounting fixed asset register to ensure disposals in the RAB meet the definition of a disposal per the IMs; <p>We have no matters to report from undertaking those procedures.</p>

Governing Committee Members' Responsibilities

The Governing Committee Members are responsible on behalf of the Network for

- compliance with the Information Disclosure Determination and the valuation of related party transactions in accordance with the Information Disclosure Determination and the Input Methodologies Determination; and
- the identification of risks that threaten such compliance and controls which will mitigate those risks and monitor ongoing compliance.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the Network has complied, in all material respects, with the Information Disclosure Determination in the preparation of the Disclosure Information for the disclosure year ended 31 March 2019 and on whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

Our engagement has been conducted in accordance with ISAE (NZ) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and SAE 3100 (Revised) *Compliance Engagements* which require that we plan and perform our procedures to obtain reasonable assurance about whether the Network has complied in all material respects with the Information Disclosure Determination in the preparation of the Disclosure Information for the disclosure year ended 31 March 2019, and whether the basis for valuation of related party transactions complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

An assurance engagement to report on the Network's compliance with the Information Disclosure Determination and the Input Methodologies Determination involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements of the Information Disclosure Determination and the Input Methodologies Determination. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the requirements of the Information Disclosure Determination and the Input Methodologies Determination.



Inherent Limitations

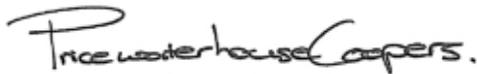
Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the disclosure year ended 31 March 2019 does not provide assurance on whether compliance with the requirements of the Information Disclosure Determination and the Input Methodologies Determination will continue in the future.

Who we report to

This report has been prepared for the Governing Committee of OtagoNet Joint Venture, the Board of Directors of Electricity Southland Limited and the Commerce Commission ('the Parties') in accordance with clause 2.8.1(1) of the Information Disclosure Determination and is provided solely to assist you in establishing that compliance requirements have been met. Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Parties, or for any purpose other than that for which it was prepared.

The engagement partner on the assurance engagement resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.


Chartered Accountants
2 September 2019

Christchurch, New Zealand

Schedule 18: Certification for Year-End Disclosures

Clause 2.9.2

We, Duncan Varnham Fea and Sarah Jane Brown, being governing committee members of OtagoNet Joint Venture certify that, having made all reasonable enquiry, to the best of our knowledge-

- a) the information prepared for the purposes of clauses 2.3.1, 2.3.2, 2.4.21, 2.4.22, 2.5.1, 2.5.2, and 2.7.1 of the Electricity Distribution Information Disclosure Determination 2012 in all material respects complies with that determination; and
- b) the historical information used in the preparation of Schedules 8, 9a, 9b, 9c, 9d, 9e, 10, and 14 has been properly extracted from the OtagoNet Joint Venture's accounting and other records sourced from its financial and non-financial systems, and that sufficient appropriate records have been retained.
- c) in respect of information concerning assets, costs and revenues valued or disclosed in accordance with clause 2.3.6 of the Electricity Distribution Information Disclosure Determination 2012 and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012, we are satisfied that-
 - i. the costs and values of assets or goods or services acquired from a related party comply, in all material respects, with clauses 2.3.6(1) and 2.3.6(3) of the Electricity Distribution Information Disclosure Determination 2012 and clauses 2.2.11(1)(g) and 2.2.11(5)(a)-2.2.11(5)(b) of the Electricity Distribution Services Input Methodologies Determination 2012; and
 - ii. the value of assets or goods or services sold or supplied to a related party comply, in all material respects, with clause 2.3.6(2) of the Electricity Distribution Information Disclosure Determination 2012.

**Duncan Varnham Fea****Sarah Jane Brown****30 August 2019**