

# Annual Report 2023



# Contents

2	Introduction
3	Our Highlights
4	About PowerNet
5	Our Vision and Company Structure
6	Electricity Assets We Manage
8	Chief Executive and Chair's Report
14	Networks We Manage
22	People and Leadership
28	Our Executives
30	Power to Communities
36	New Energy and Business Innovation
44	Corporate Governance Statement
47	Directors' Profiles
52	Statutory Report
58	Approval by Directors
59	Financial Statements



# Directory

**Registered Office**

PowerNet Limited  
251 Racecourse Road  
PO Box 1642  
Invercargill 9840  
New Zealand

Telephone: 03 211 1899

Website: [www.powernet.co.nz](http://www.powernet.co.nz)

Email: [enquiries@powernet.co.nz](mailto:enquiries@powernet.co.nz)

**Principal Bankers**

ANZ Bank New Zealand Limited  
Westpac New Zealand Limited

**Auditors**

PricewaterhouseCoopers, Christchurch

**Solicitors**

AWS Legal

**Materials Procurement  
and Management**

Corys Electrical Limited

In **2022-23**

Net Profit After Tax  
**\$1.3 million**

Capital Expenditure  
**\$58.3 million**

**\$29.0 million**

Maintenance  
Expenditure

**297**

Employees

Turnover  
**\$92.9 million**

On behalf of our shareholders **We Manage**

**\$746 million**

in Electricity Distribution  
Assets (Regulatory Value)

Transformers  
**16,336**

Zone Substations  
**74**

Lines and Cables  
**14,244 kms**

Customers  
**75,351**

Distribution and  
Meter Revenue

**\$117 million**

**57.8MW**

Total Generation  
Capacity

**\$81 million**

In Renewable  
Generation  
Assets



# Our Highlights...

## 1 Embarking on Another Decade with Confidence

We renewed our network management agreements during the 2022-23 year so our network owners can continue to benefit from PowerNet's scale, operational efficiencies, and asset management expertise. The agreements mark over \$1 billion in assets and investments now under PowerNet's management and is a significant recommitment to the PowerNet joint venture model.

## 2 National Recognition for Safety and Engineering Excellence

Our progressive culture put us on the national stage when we were recognised for our safety practices and engineering excellence at the 2022 Electricity Engineers' Association (EEA) Awards. Winners of the 'Workplace Safety Award' for our Critical Control Framework and the 'Engineering Excellence Award' for our microgrid project at Rowallan. These awards are a testament to our continued pursuit of excellence.

## 3 Enhanced Business System Maturity

In 2022-23, we were delighted to receive the Asset Management (ISO 55001) certification. This compliments our annually maintained Quality Management System (ISO 9001), Health & Safety Management System (ISO 45001) and Public Safety (NZS 7901) accreditations. Certification for the Environmental Management System (ISO 14001) is in its final stages.

## 4 Decarbonisation of our Southern Region Gathering Pace

At PowerNet, we actively collaborate with our customers to enable a cleaner, greener Aotearoa. Two of our major industrial customers are decommissioning coal-fired boilers and converting to electricity as part of their strategy to reduce CO<sub>2</sub> emissions. We are working with Mataura Valley Milk which is underway with converting its coal-fired boiler with New Zealand's first High-Pressure Electrode Boiler, and the Alliance Group, which is installing a 16MW Electrode Steam Boiler at its Lorneville plant, the largest export sheep meat processing site in the world. Other projects of similar scale are advancing.

## 5 Supporting the Transition to 100% Renewable Energy

PowerNet is supporting the construction of Mercury Energy's 43MW wind farm at Kaiwera Downs, south of Gore. PowerNet's build of the new 33kV line will link directly to Transpower's Gore Grid Exit Point (GXP) and is a significant part of the works programme, reinforcing our support of investing in renewable generation.

## 6 Lakeland Network Growth Continues

For Lakeland Network Limited (LNL), we have continued to support the fast-paced growth of the Queenstown-Lakes and Central Otago region. Our LNL network now boasts 4,136 connections, representing over a 1000% customer increase on the network since 2015.

## 7 Our Communities at the Cornerstone

Our relationship with Hato Hone St John has been an integral part of our ethos to form lasting partnerships with our communities. Now entering our tenth year, we have contributed \$900,000 over the last nine years – which has helped support First Aid and Mental Health First Aid training, the Whātua te Waiora | Weaving Wellbeing programme, the ASB St John in Schools programme, rental funding for training venues, and sponsorship of EV charging stations to support St John's electric health shuttle service.

## 8 In Pursuit of Innovation

To support a new energy future, we know that utilising data for effective decision-making is critical. Using data from smart meters and other sources, PowerNet has developed data science methods to help us understand the impacts of new technologies on our network - so we can better manage capacity utilisation and network congestion and inform our future decisions on strategy and planning.

## 9 A Customer Driven Culture

Our customers remain focal to our operations, and we are continually striving to achieve our vision of 'Energy Partner of Choice' by improving our service levels so the experience our customers receive is consistent, positive, and solutions-focused. During 2022-23 we held our first major customer event after the Covid-19 pandemic, with a focus on decarbonising industries. In addition, our newly developed Customer Experience Strategy is a testament to our commitment, and we look forward to implementation in the years ahead.





# About PowerNet

## Who We Are

At PowerNet Limited (PowerNet) we're passionate about delivering safe, efficient and reliable power to our communities, and about adding value for our shareholders. We're New Zealand's fourth largest electricity management company. We manage most of the electricity assets in southern New Zealand. It's a responsibility we're proud to have.

## What We Do

We build, maintain and manage assets across Southland, West Otago, and Stewart Island on behalf of electricity network owners — The Power Company Limited (TPCL), Electricity Invercargill Limited (EIL), OtagoNet Joint Venture (OJV), Lakeland Network Limited (LNL) and the Southland District Council-owned Stewart Island Electrical Supply Authority (SIESA). We proactively identify opportunities to enhance investment outcomes for shareholders and monitor and manage these investments. We're jointly owned (50-50) by TPCL and EIL.



**Our vision**

# Energy partner of choice

**Our purpose**

## Safe, Efficient, Reliable Power to Communities

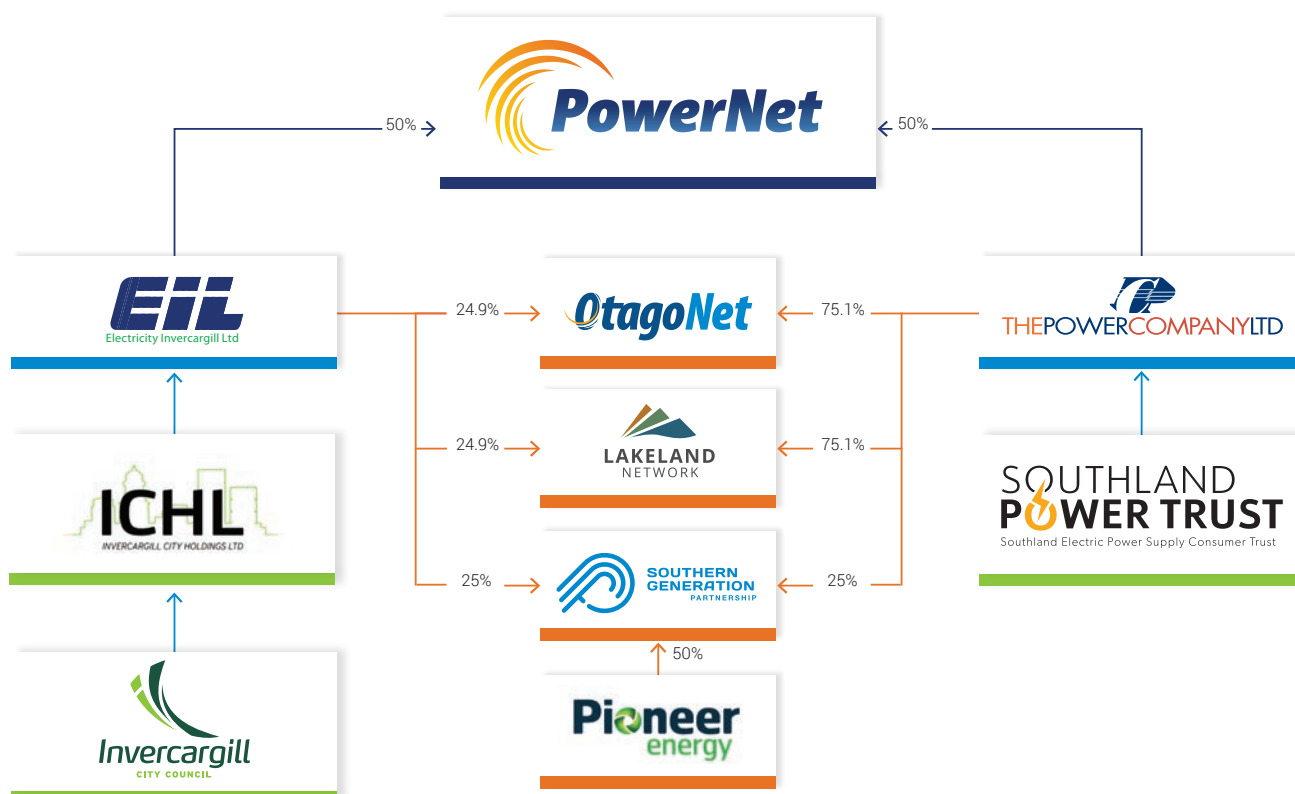
**Critical success factors**

Safety always  
Customer focus  
Continuous improvement  
Passionate and empowered people  
Courageous leadership

**Values**

Up front and honest  
Make a difference  
Do it once, do it right  
Back each other  
Take positive action

## Company Structure





# Electricity Assets we manage





We manage electricity assets for The Power Company Ltd, Electricity Invercargill Ltd, OtagoNet Joint Venture and Lakeland Network Ltd.

#### The Power Company Ltd (TPCL)

TPCL has a proud history of innovation in the south. It owns electricity network assets across the Southland area, excluding parts of Invercargill City and Bluff, and is the largest electricity network PowerNet manages. Consumers connected to the TPCL network are its owners, and the Southland Electric Power Supply Consumer Trust (Southland Power Trust - SPT) exercises ownership rights on their behalf. TPCL is one of New Zealand's best performing, predominantly rural networks.

#### Electricity Invercargill Ltd (EIL)


EIL owns electricity network assets in Invercargill City and the Bluff area. It is wholly owned by the Invercargill City Council through its subsidiary, Invercargill City Holdings Ltd (ICHL). The EIL network is ranked by the Commerce Commission as one of the most reliable networks in New Zealand.

#### OtagoNet Joint Venture (OJV)

OJV is the major electricity network services provider for most of Otago. The joint venture is owned by TPCL and EIL. The regulated OJV network also includes the Lakeland Network in the Frankton, Cromwell and Wānaka areas.

### Electricity Network Areas

 The Power Company Ltd

 Electricity Invercargill Ltd

 Stewart Island Electricity Supply Authority

 OtagoNet Joint Venture

 Lakeland Network Ltd

# Chief Executive and Chair's Report



Jason Franklin | Chief Executive

2022-23 has been a year of solid performance and results for the PowerNet team, where our ability as a business to be adaptable, agile and customer-centric has remained steadfast amidst a changing energy landscape.

The energy system across Aotearoa is facing significant transformation, where climate change, electrification and a surge of new technologies is altering our operating environment and will revolutionise the energy market. And we are responding.

PowerNet has played a key role in driving decarbonisation efforts across our Southern region by helping some of our major industrial customers embark on their carbon reduction projects.



Bob Taylor | Chair

2022-23 has been a year of building momentum towards delivering a better future. Through asset management improvements and focus on new technologies, we are better positioned to manage what the future looks like for our networks whilst ensuring we remain focused on delivering the fundamentals of our service commitments – so we are always providing a safe, efficient and reliable supply for the customers in the regions we serve.

## Ushering in a New Decade of Network Management

Renewing our network management agreements during the 2022-23 year was a great milestone to reach. The agreements, which came into effect on 1 April 2023, are 10-year management agreements and mark over \$1 billion in assets and investments now under PowerNet's management.

Significant work has been completed over the past year to update and modernise the agreements to ensure we are meeting our shareholder and networks' requirements. The renewal has provided the confidence needed as we look towards the future and cements our commitment to ensuring each network will continue to benefit from the scale, operational efficiencies and asset management proficiency enabled through utilising PowerNet's shared business model.

On our continuous improvement journey, unit rates are being introduced to further strengthen our focus on work scheduling, productivity and resource utilisation.

We are delighted to continue our long-term partnership with EIL in Invercargill City and Bluff, TPCL in Southland and West Otago, OJV in rural and coastal Otago, and LNL in Queenstown-Lakes and Central Otago, and we will remain focused on delivering them with the highest levels of performance. The renewal of the management agreements reflects the confidence in the PowerNet joint venture, between PowerNet and its shareholders, EIL and TPCL.



## Leading the Way in Innovative Workplace Safety and Engineering Excellence Solutions

As the fourth largest electricity management company in New Zealand by asset value, it is critical that the health and safety of the people working on our networks continues to be a key priority.

It was, therefore, very pleasing to achieve national recognition for our safety systems in the 2022 Electricity Engineers' Association (EEA) 'Workplace Safety Award' for our Critical Control Framework (CCF). Our CCF utilises Risk Mentor, a tablet-based tool which actively validates that the controls are in place and effective for our critical risks.

This national award is a testament to PowerNet's commitment to workplace health and safety and to delivering innovative solutions to improve the management of critical risks, with the unwavering dedication to ensure our people go home unharmed.

In addition, our determination to advancing engineering solutions was recognised by the EEA in 2022 for another national award when we also won the 'Engineering Excellence Award' for our microgrid project at Rowallan. This project demonstrates our pursuit of rethinking traditional approaches to network management and is a leading example of future possibilities for our industry. We installed solar generation, battery storage and a backup generator to provide energy to the Rowallan Lodge and a residential property, which was a more robust and economical solution to supply these remote customers than maintaining or replacing the ageing traditional electrical infrastructure. The microgrid has been operational since mid-2020 and is now providing insights into where similar systems could work well in the future as an alternative solution.



*National winners at the Electricity Engineers' Association (EEA) Awards. L-R: Kavi Singh and Dyson Gentle (PowerNet) with Stephen Jay (EEA).*



*The Electricity Engineers' Association (EEA) Awards. L-R: Rangi Solomon (PowerNet) and Stephen Jay (EEA).*

### Ready for a New Future

The decarbonisation and electrification of our region is gathering pace. It has become clearer than ever before that a clean energy is fast becoming a reality for New Zealand, where the heightened focus on mitigating climate change, decarbonisation, and the electrification of our economy are all pointing to a future where the energy sector is undergoing significant transformation. At PowerNet, we are actively implementing solutions alongside our customers to support this transformation to enable a cleaner, greener Southern region.

The stocktake we did last year of all major industries across our region to better understand our customers' plans to decarbonise their process heat is now underway with implementation. This stocktake identified that 10% of the country's manufacturing emissions were with 42 of our connected customers. In response, two of our major industrial customers are decommissioning coal-fired boilers and replacing them in electricity as part of their strategy to reduce CO<sub>2</sub> emissions involved in powering their manufacturing plants.

Mataura Valley Milk (MVM) is underway with converting its coal-fired boiler with New Zealand's first High-Pressure Electrode Boiler (HPEB). This project will replace all current coal-fired heat on the MVM site, making it 100% electrified. Alongside this, PowerNet has been working with the Alliance Group, which is installing a 16MW Electrode Steam Boiler to provide steam and hot water for meat processing at its Lorneville plant, near Invercargill. As the largest export sheep meat processing site in the world, this project is sending a strong signal and will make a significant dent in the region's carbon footprint.

Commencing work on these projects has been a significant milestone for our customers, and PowerNet is proud to be part of their decarbonisation journey for the betterment of our region.



*Sod-turning turn at Kaiwera Downs Wind Farm. L-R: Mark Zwies, Roger Scott and Matthew Ting (PowerNet).*

### Supporting Renewable Energy Solutions

In addition to our work assisting major customers reach their climate-change mitigation goals, we have also been helping our wider country in its bid to become 100% renewable. This has seen PowerNet support the construction of Mercury Energy's 43MW wind farm at Kaiwera Downs, south of Gore. PowerNet's build of the new 33kV line will link directly to Transpower's GXP and will connect the wind farm to our network. This is a significant part of the works programme, reinforcing our support of investing in new renewable generation to enable Aotearoa's transition to a low-carbon future.

This commitment to connecting new renewable generation is aligned to PowerNet's management of its shareholders' investment and diversification into renewable generation through the Southern Generation Limited Partnership, with eight generating wind farms and hydro stations across the country.





*Silver Creek development.*

## Advancing the Resilience of our Regions and Enabling Growth

During the 2022-23 year, we have progressed major capital and maintenance projects across Southland and Otago to enhance the resilience, capacity, and reliability of the networks we manage.

For TPCL, we continued our multi-year investment in upgrading the Athol 5 Feeder, together with ongoing substation upgrades – installing new indoor switchgear at the Orawia Zone substation to remove the earthquake risk from the existing overhead equipment and upgrading the McNab switching station into a 33/11kV substation to supply the increased electrical load at the Mataura Valley Milk dairy factory.

For EIL, we have focused on the resilience of our network by addressing historical water ingress issues at our Leven Street Zone substation by replacing the roof with new material, which includes an improved pitch and better overall design. We also installed cable fault indicators on the 11kV network to detect cable and earth faults. We continued our network automation initiatives to create additional remote controlled switching points and automation technologies in Invercargill and Bluff.

For OJV, we replaced the single 33kV line to the Kaitangata Zone substation, continued our work to construct mobile substation sites for ongoing resilience, together with work to install Neutral Earthing Resistors where necessary on substations to limit earth fault currents on the 11kV network.

For LNL, we have continued to enable and support the fast-paced growth of the region by providing the extra capacity required, which reached 4,136 connections in March 2023, adding almost 700 connections for 2022-23. This represents a phenomenal increase in connections on the LNL network in Queenstown-Lakes, Frankton, Wānaka and Cromwell and marks over a 1000% customer increase since 2015. Key 2022-23 projects as part of this growth have seen us support planning for the new development at Silver Creek together with providing the increased capacity required at Hanley's Farm and Remarkables Park.

## Business System Maturity Continues

Our Business System Development (BSD) programme is now firmly embedded across the organisation, where quality asset management and our safety and environmental systems are at the core of the programme. In March 2022-23, we were delighted to receive the Asset Management (ISO 55001) certification. This compliments our already attained Quality Management System (ISO 9001), Health & Safety Management System (ISO 45001) and Public Safety (NZS 7901) certifications. The team's work towards certification for the Environmental Management System (ISO 14001) is in its final stages.



## Partnering with our Communities

Enabling our communities to thrive goes beyond merely maintaining and managing electrical infrastructure and providing capacity for growth. For us at PowerNet, it means participating in what makes our regions become stronger. This has been an integral reason for our continued and valued relationship with Hato Hone St John, where we have now contributed \$900,000 over the last nine years. It has been a pleasure to partner with St John once again over the 2022-23 year, and we look forward to continuing our work together across our regions.



Hone Hato St John community educator Alan Reilly at Northern Southland College.





L-R: Joel Marques, Ray King and Craig Greenall (PowerNet).

## Our People – Resilient, Responsive and Ready

PowerNet's team of almost 300 employees are central to driving our business forward, so we are ready for tomorrow, whilst remaining dedicated to our core operational responsibilities today.

PowerNet is proud to provide a place of work that has built a strong culture through establishing cohesive behaviours, where passion is embraced, and our people are driven to succeed. 2022-23 has seen the team gear up for what our new energy world looks like, where the electrification of our communities means the size and scale of what we do will naturally grow too. We have a high-calibre team and are incredibly grateful for their enduring support and commitment to our business. They have continued to respond with agility to the rapidly changing work environment, where increasing flexibility and diversity is shaping the PowerNet team to become even more dynamic. Our people are savvy in their ideas, prudent in their approach, and ready for what the future holds.

In the face of a tight labour market, our newly developed employee value proposition and brand strategy will help us attract and retain a high-calibre team of people as we take on the challenges of a changing energy sector. We know the diverse range of work we have on offer, coupled with the lifestyle our Southern region enables, offers an attractive mix of career opportunities and lifestyle choices compared to other parts of New Zealand.

## Supported by Strong Governance

We want to take this opportunity to acknowledge and thank our retiring PowerNet Board members - Doug Fraser, Duncan Fea, and Don Nicolson - for their active contribution to our Board. Doug Fraser joined us in 2004 and brought a wealth of governance, regional and industry experience to the Board during his 18-year tenure. Duncan Fea joined the Board in 2011 with a strong business advisory and electricity generation background, which provided the company with prudent advice in corporate needs and the diversification into renewable generation through the Southern Generation Limited Partnership. Don Nicolson became a Board member in 2015 and provided solid leadership through his experience in a raft of advocacy and governance roles. We are extremely grateful to all our retiring directors for their contribution; thank you.

We also welcome a new deputy chair, James Carmichael, to the Board. He is joined by two new directors, Karen Sherry and Murray Wallace. We look forward to their participation.

As chair and chief executive, we thank all directors for their support and direction.

## Looking Ahead

During 2022-23, the PowerNet team has shown determination, adaptability and readiness in an environment of momentous change, both within the business and across our region. We will continue to forge ahead, striving to enable our communities to thrive, and support their evolving energy needs. With a substantial works programme planned for the years ahead, we are well positioned for future growth, to partner with our region as it decarbonises, and to continue delivering on our commitment to supply safe, efficient, and reliable power to communities and businesses throughout southern New Zealand.

A handwritten signature in black ink, appearing to read 'Jason Franklin'.

Jason Franklin  
*PowerNet Chief Executive*

A handwritten signature in black ink, appearing to read 'Bob Taylor'.

Bob Taylor  
*PowerNet Chair*

# Networks we manage

At PowerNet, we remain focused on our core responsibility to provide a safe, efficient and reliable electricity supply to our southern communities. During the reporting year, we have continued to deliver through maintaining and future-proofing the networks we manage and providing long-term value for our shareholders - TPCL and EIL.

## High-Performing Network Management

The renewal of our agreements with TPCL, EIL, OJV and LNL during 2022-23 for another ten years solidified our success as a network manager and reinforced our performance to date.

These four networks have a combined regulatory value in electricity distribution assets of \$746 million.

We also continued our service contract agreement with the Southland District Council-owned Stewart Island Electrical Supply Authority (SIESA).

Each month, PowerNet reports to the Boards of these networks and undertakes all regulatory management, including reporting to the Commerce Commission and Electricity Authority on their behalf.

## PowerNet Responsibilities

Under our management agreements, PowerNet is contracted to manage, construct and maintain each network and its metering assets.

PowerNet acts as manager for the networks, charging line and metering revenue to electricity retailers, paying transmission costs, and passing the gross revenue and expenses through to the networks. The revenue provides a return on investment to the networks and recovers their overheads, depreciation and operating costs. PowerNet's costs are recovered through a charging regime on capital and maintenance work, together with a fee for management services.

In conjunction with the new 10-year management agreements, our field services teams have now moved to a unit-rate charging mechanism, enabling standardisation across work activities.









33kV Conductor installation at Kaiwera Downs Wind Farm.

**37,590**

CONNECTED CUSTOMERS

**8,882 km**

NETWORK LENGTH

CONSUMER  
DENSITY **4.2**  
consumers/km

**11,415**

DISTRIBUTION TRANSFORMERS



In 2022-23, significant investment continued in new and existing assets on the TPCL network. Key projects delivered throughout the year will help maintain and improve service levels and will create additional network capacity. Capital expenditure totalled \$32.2 million, with a further \$11.3 million spent on maintenance.

#### Kingston Feeder Upgrade

This multi-year project, which began in January 2021, continues. Following the first phase which saw 5km of the Athol 5 line upgraded towards Kingston, we completed phase two in 2022 by establishing two voltage regulators (at Garston and Allendale) to boost voltage to Kingston. During 2022-23 we designed and started the next phase, which will see an express line to Allendale and a rebuild of the line from Allendale to Kingston. These lines are being built for 22kV (with a future 66kV capability) to supply the new Kingston Zone substation.

#### Orawia Zone Substation Upgrade

The Orawia Zone substation is being upgraded with new indoor switchgear to remove the earthquake risk from the existing overhead equipment. This two-year project commenced in early 2023, with the design and equipment ordered for completion by 2024.





Maintenance work at Calder Road, on the TPCL network.

### Kaiwera Downs Wind Farm Connection

This project started in 2022-23 to deliver 43MW generation from the Kaiwera Downs Wind Farm to Transpower's Gore GXP, via a 33kV network connection. The connection involves overhead lines, underground cables and a new feeder circuit breaker. The site will be commissioned during 2023-24.

### McNab Substation

This project involves upgrading the existing McNab switching station into a 33/11kV substation to supply the increased electrical load (for a High Pressure Electrode Boiler) at the Mataura Valley Milk dairy factory. The multi-year project started in 2022-23, construction began in early 2023, and the two transformers have been built overseas for installation and commission during 2023-24.

### Earth Upgrades

Ensuring satisfactory and safe ground resistance for an earth system requires regular monitoring. A \$2.4 million programme on the TPCL network was carried out to improve installations and reduce network risks during faults. Upgrade works included the installation of additional earthing rods or banks, replacing surface material (asphalt or gravel) and regular testing and inspection of all network earth locations and conductive fences.

### Customer Connections and Asset Replacements

TPCL invested \$3.3 million in new customer connections in 2022-23, including \$1.5 million on new subdivisions.

In total, \$8.3 million was invested in line and pole replacements and upgrades as part of TPCL's ongoing commitment to maintain a safe and reliable network.

### The Power Company Ltd Projects

Project	Approximate Expenditure
Kaiwera Downs Wind Farm connection	\$6,700,000
11 kV line replacement	\$6,500,000
New customer connections and subdivisions	\$4,100,000
McNab substation upgrade	\$3,000,000
Earth upgrades	\$2,400,000
Transformer replacements	\$1,100,000

17,595  
CONNECTED CUSTOMERS

665 km  
NETWORK LENGTH

CONSUMER  
DENSITY 26.5  
consumers/km

450  
DISTRIBUTION TRANSFORMERS



Projects to enhance safety and network reliability were central to work carried out on the EIL network during 2022-23. Total capital investment was \$5.3 million, with a further \$2.2 million spent on maintenance.

### Leven Street Zone Substation Roof Replacement

EIL's Leven Street Zone substation has historically faced several water ingress issues due to its roof material, pitch, and design. Coles Consulting Limited was contracted to design a more robust solution – resulting in a pitched roof design, including a small internal gutter between the two roofs. This provides independency and allows the transformer bay roof to be removable. This project has now been completed.

### Cable Fault Indicators

Cable Fault Indicators have been installed on the EIL 11kV network to monitor the state of the indicators. They are connected to sensors and are used to detect short circuits and earth faults. When a cable fault occurs, the indicator will trigger, and the input to the sensor will change sending a message back to a server at PowerNet. This allows PowerNet to find and isolate the faulted area quickly and restore power to un-affected areas reducing the outage time our customers experience. We are planning to install more in the next ten years.

### Network Automation

Implementation of network automation initiatives on the Invercargill and Bluff networks continues, where we are creating additional remote controlled switching points and automation technologies. The resulting improvements are intended to offset the reduction in reliability that is to be expected as the cable network is allowed to age back to the optimal average asset life remaining of 50%, as the extensive underground programme and other capital projects have made EIL into an unusually young network.

### Invercargill Central Business District (CBD) Development

PowerNet continues to support the redevelopment of Invercargill's CBD. During 2022-23 our team installed cabling and utilised the opportunity to upgrade existing cabling where needed to increase reliability of supply.

### Customer Connections and Asset Replacements

New customer connections to the EIL network reached \$700,000 in 2022-23, significantly above the long-term average. This elevated level of customer connection activity was driven by the Invercargill CBD redevelopment.

Work continues to replace distribution transformers and Ring Main Units reaching the end of their life, and all EIL zone substation sites have now been seismically strengthened to ensure continued supply in the event of a major earthquake. Work continues to strengthen distribution substations on the network.



Jordan Coutts (PowerNet), Transformer replacement on the EIL network.

### Electricity Invercargill Ltd Projects

Project	Approximate Expenditure
Ring main units replacements	\$1,800,000
Customer connections and subdivisions	\$700,000
Transformer replacements	\$600,000
Leven Street Zone substation roof replacement	\$400,000





In 2022-23 PowerNet managed \$20.2 million in capital investment on the OJV network (which includes the LNL network) and \$6.2 million in maintenance expenditure.

### Kaitangata 33kV Line Replacement

The single 33kV line to the Kaitangata Zone substation was replaced in 2022-23. This line is cross-country, so PowerNet crews carried out the work during the summer period to take advantage of firmer ground conditions.

### Mobile Substation Sites

Mobile substation sites will continue to be constructed when required to schedule routine maintenance on major equipment at single transformer substations. Design for a site at Clydevale was progressed in 2022-23. A total of \$1.1 million has been allocated for seven mobile substation sites over the next ten years to ensure they are mobile-substation ready.



*New Kaitangata 33kV line replacement.*

### Substation Neutral Earthing Resistors (NERs) and 33kV Transformer Circuit Breakers

Design and procurement for a NER at the Stirling Zone substation was carried out in 2022-23 as part of a broader work programme to install NERs where necessary on Zone substations to limit earth fault currents on the 11kV network. The NER installation at Stirling will be completed in the coming year. \$814,000 has been allocated for stand-alone NER installation projects over the next four years, and nine NERs are planned for installation in conjunction with substation upgrade projects.

While NERs alone will not ensure network safety, they significantly reduce the hazard from earth rise potential on and around network equipment when an earth fault occurs. 33kV circuit breakers are also being installed to protect the NERs and power transformers, providing improved protection compared to the existing 33kV fuses.

### Customer Connections and Asset Replacements

OJV invested \$2 million in new customer connections across the OJV network. \$7.2 million was also invested in line and pole replacements to ensure the security of the network and to maintain reliability and safety.

### OtagoNet Projects (includes LNL projects)

Project	Approximate Expenditure
11 kV line replacement and renewal	\$4,100,000
Customer connections and subdivisions	\$2,000,000
33 kV line replacement and renewal	\$1,600,000
Low voltage line replacement and renewal	\$1,500,000
Hanley's Farm subdivision	\$1,300,000
Wooring Tree development	\$1,100,000
Kaitangata 33kV line replacement	\$600,000

**15,561**  
CONNECTED CUSTOMERS

**4,503 km**  
NETWORK LENGTH

CONSUMER DENSITY **3.46**  
consumers/km

**4,331**  
DISTRIBUTION TRANSFORMERS



The Lakeland Network (LNL) in the Queenstown-Lakes and Central Otago region is owned by shareholders TPCL and EIL. Formed in 1995 as Electricity Southland Limited, it was rebranded in 2021-22 to the 'Lakeland Network'.

Regulatory reporting is under the OJV network. Installation control points (ICPs) reached 4,136 on 31 March 2023, with a growth rate of 500-600 new connections per annum. The modern LNL is built completely underground and has invested over \$46 million in electricity infrastructure.

**4,136**  
CONNECTED  
CUSTOMERS

NETWORK  
LENGTH  
**141km**

CONSUMER  
DENSITY **29.4**  
consumers/km

**96**  
DISTRIBUTION  
TRANSFORMERS



*The PowerNet team based in Frankton.*

### Network Growth Projects

Network reticulation utilises the 22kV underground cable backbone, which extends from Frankton Flats to the Eastern and Southern corridors. The year ahead will see an extension of the network toward Queenstown Central Business District, down Frankton Road. It will pick up the new Silver Creek development (which has an anticipated 760 lots) and provide for future development in the area.

The southern corridor strengthening project is now underway, to provide an alternative feed to the current 700 connections in Hanley's Farm and provide future reliability and strengthening for the area.

Development continues at Remarkables Park, with the construction of a Research and Innovation Centre and the Hawthorne North commercial subdivision. In addition, LNL continued its management of embedded networks in Wānaka, comprising Northlake (900), Clearview (112) and Hikuwai (250) subdivisions, as well as the Wooing Tree (250) subdivision in Cromwell.

### Innovation and Maintenance

LNL has been trialling transformer monitoring equipment for the past three years, helping with the visibility of the Low Voltage network. Equipment performance and data usability are key to the decision-making, which will be rolled out on other networks. Smart meter installations via the SmartCo platform are providing good results to date.

Scheduled maintenance and inspections continue to provide network reliability and maintain performance criteria.





The Scania Generation on Stewart Island.



PowerNet continues to manage and service Stewart Island's electricity supply, entering its second year of the five-year contract with the SIESA manager, Southland District Council (SDC).

PowerNet supplies network management and operational services, including providing a network control centre function to SIESA, with three field services staff stationed on the Island. PowerNet also provides advice to SIESA on emerging technologies and their suitability with power supply options for Stewart Island.

**469**  
CONNECTED  
CUSTOMERS

NETWORK  
LENGTH  
**53km**

CONSUMER  
DENSITY **9.08**  
consumers/km

**44**  
DISTRIBUTION  
TRANSFORMERS

# People and Leadership

At PowerNet, our people are fundamental to our success and are our greatest asset. With almost 300 employees, we are a team focused on delivering our vision to be 'Energy Partner of Choice'. We have a diverse team of people, who are innovative in their approach and resolute in driving our purpose, 'to provide safe, efficient and reliable electricity supply 24/7 to homes and businesses across the southern region'.

## Our People

### A People-Centric Approach

As the fourth largest electricity management company in New Zealand, our asset management model provides PowerNet with the benefit of operational scale across a diverse range of disciplines. This offers our team a wide variety of opportunities to be involved in work across multiple networks in Southland and Otago.

We use our unique value proposition to recruit and retain highly skilled employees who add to our great organisational culture. Whether they have just joined our team or are one of our longest-standing employees, our team take a great deal of pride in providing power to our communities.

For us, having a high-calibre team who are united by their shared values and approach to work will enable us to grow with our communities, and the energy sector across the region. The energy sector is amidst unprecedented change and is expected to grow by 60% - 80% by 2050. This growth provides our sector with challenges but also exciting career opportunities, and our team are ready to face what the future holds.



*A PowerNet team participating in the Cross Recreation Centre Balclutha Half Marathon and 10km event.*

We are strong advocates of the unique opportunities that exist at PowerNet, which saw us develop our employee value proposition and branding strategy early in 2023. This work will be pivotal in the face of a tight labour market where the competition and scarcity of skilled workers in our sector is an issue right across New Zealand. The diverse and exciting range of work we have on offer, coupled with the southern region (where our ten depots are based), offers the attractive mix of career opportunities, lifestyle choices, and affordable living options compared to other parts of New Zealand.

During 2022-23 we amended the PowerNet and E tū Collective Agreement, enabling progression for both our collective and individual employment agreement employees who have dual qualifications, or who take on additional accountabilities.

In addition, we engaged Findex during the reporting year to help us address issues identified with our compliance to the Holidays Act 2003. As part of the review, our systems were updated to ensure compliance moving forward.





## Shared Vision



## Our People



## Our Greatest Asset



## Safe Efficient Reliable







*A PowerNet team fundraising for Movember with an international lunch, as part of PowerNet's Health and Wellbeing annual calendar of events.*

## Our Human Resource Partner Model

Our Human Resource (HR) partner model, where an HR partner is assigned to PowerNet field and function teams, continues to be beneficial. The HR partner works with their assigned department across all aspects of HR service delivery, and prides themselves on their internal partnerships to enable quality and timely HR advice.

## Working at PowerNet

With PowerNet offices and depots spread throughout the southern region, we have responded to the challenge of being geographically dispersed by sharing employees, resources and knowledge. This enables our team to benefit from the scale of our services, where we can diversify across our various operational disciplines and through our many regional locations.

Our Flexible Working Arrangement (FWA) scheme is in its third year and compresses 80 hours into nine working days. In return, employees benefit from a three-day weekend each fortnight. The scheme is part of a broader employee attraction and retention strategy and continues to be popular, with approximately one-third of our workforce participating in the scheme. Reviewed annually, the most recent review (completed in February 2023) continued to show positive results, and the scheme will remain available for a further 12 months.

## Enabling Our Leaders and Teams

PowerNet continues to work with our people to align their behaviours and performance to the company's vision and purpose. Our vision and values workshops continue to provide new employees with an overview of PowerNet's purpose, vision and critical success factors, so they are armed with a shared values and behaviour ethos to assist them in their work. These workshops also provide an opportunity for new employees to meet our senior leadership team as they join PowerNet.

We remain committed to equipping our leaders with the tools and skills they need to build an engaging and positive workplace culture. In 2022-23, a further cohort of 12 PowerNet leaders and functional specialists completed the 'Leading with Courage' programme. The programme covers leadership theory and application over four two-day workshops. It also involves leaders completing a strategic project and working as a team to apply the new skills they have learnt.

In October 2022, we participated in the annual ACC Accredited Employer Programme (AEP) audit, achieving tertiary-level status. This is the highest level of accreditation and recognises our low injury rates and the quality of our Health, Safety, and Injury Management systems at PowerNet. Wellnz remains our third-party AEP administrator, specialising in rehabilitation and injury management support services for both work and non-work injuries experienced by our employees.





*PowerNet Health and Wellbeing presentation by Mike King.*

## Employee Health and Wellbeing Programme

PowerNet's Health and Wellbeing Programme continues to prove successful with a series of health-focused events, together with ongoing education, employee support, and volunteer opportunities.

Each year we seek employee feedback on the programme to ensure that it is meeting the needs of our people, and an annual calendar of events prioritises the support of our team's mental, physical, and social wellbeing. Our Health and Wellbeing Programme promotes a healthy lifestyle outside of work, where our wellbeing subsidy contributes to memberships, participation or equipment costs so employees can pursue personal activities and interests. It also provides in-house influenza vaccines for our team each year.

In September 2022, the Health and Wellbeing team invited guest speaker Mike King to PowerNet to present to our employees and their family members. Positively received, these sessions focused on mental health awareness and the challenges of a healthy work-life balance. Mike shared his life story with the team, which included insights on how to look after ourselves, our families and our friends.

In addition, our Psychological First Aid Programme continues to help our employees navigate available support services in conjunction with our Employee Assistance Programme service provider, OCP. Ten trained internal welfare support specialists provide confidential support to employees and their families across our southern office and depot locations.

## Workplace Health and Safety Initiatives

At PowerNet, workplace health and safety continues to be our greatest priority and is a critical success factor. We are dedicated to a 'safety always' culture and supporting 'continuous improvement actions. Our stand-alone health, safety and environment team is the foundation for initiatives in safety leadership, training and competency.

## Health and Safety System Implementation

Our health, safety, and environment risk management system is now well embedded across our business activities. The system displays all information about incidents, hazards, risks, actions and audits on one platform. It presents incident workflows, with access to investigation details and resolution actions to mitigate future harm. All leaders now use the system, which allows for more efficient management of public and workplace incidents.



Clutha District Training and Development Awards. L-R: PowerNet Balclutha award recipients, Kace Shaw, Jayden Dovey, Gavin Stewart, Bryan Cadogan (Clutha District Council Mayor), Craig Greenall and Ben Rafferty.

## Workplace Training and Assessment

At PowerNet, we have a holistic approach to workplace training and support to help our people achieve the compulsory industry training required to do their jobs and to progress in their personal development.

To ensure our team knows how to work safely on the networks we manage, PowerNet's induction and assessment process continues to prove beneficial. In addition, all identified high-risk training is supported with re-assessment modules and an improved back-end training system. Our leaders and training and assessment team (which comprises three field trainers and a training coordinator) also provide ongoing support to new field employees, from qualified staff to trainees.

PowerNet evaluates the practical skills of newly qualified and apprentice line mechanics to support their careers. Line mechanic apprentices complete a week-long induction that gives them a solid foundation in risk assessment and basic skills before they enter the work environment. This prepares them to keep themselves and their workmates safe.

## Managing Critical Risks

Hazardous activities that have the potential to kill or seriously injure our people are the key focus of PowerNet's Critical Control Framework (CCF) project. The project aims to ensure the management of critical risks is integral to all PowerNet operations and equips our field teams with the tools they need to ensure the consistent application of our critical controls – keeping themselves, and members of the public, safe. The framework also ensures we meet compliance obligations, such as industry rules.

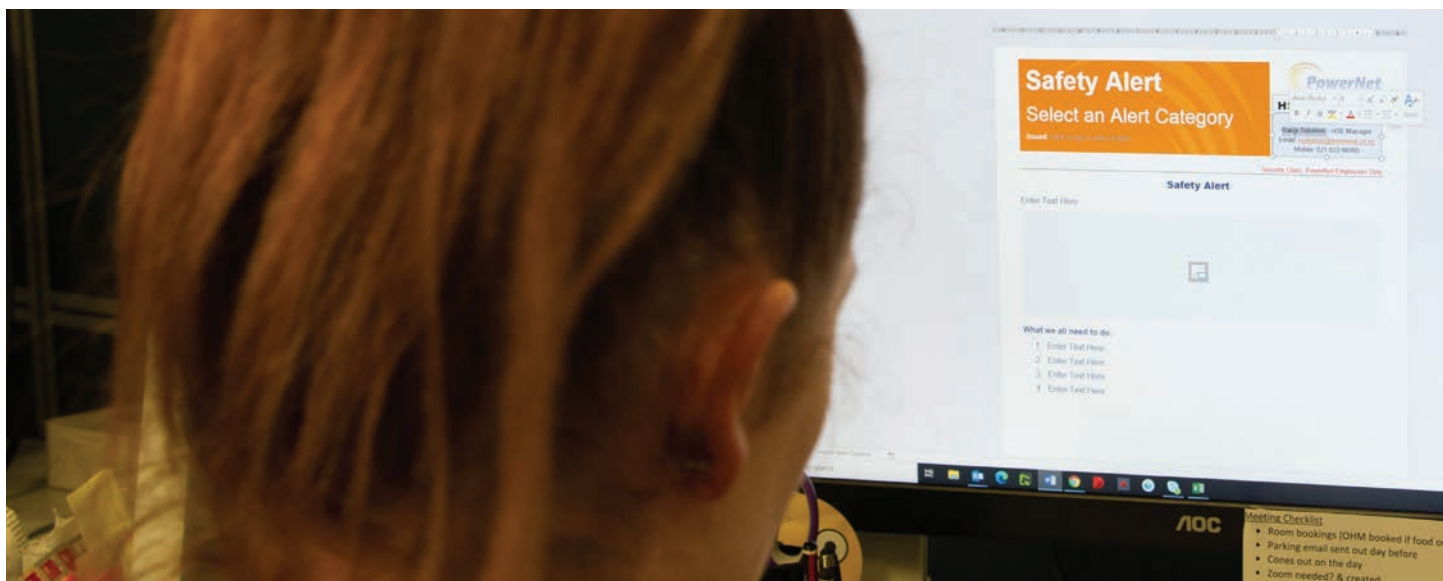
This project has been the basis for developing a digital application, Risk Mentor, used by team leaders and crews to ensure that correct critical controls are in place for each stage of their work. The tablet-based application was a winner of the 2022 Electricity Engineers' Association (EEA) 'Workplace Safety Award', and leads the user through elements of typical workflows, identifying and recording the required critical controls needed to manage risks at each stage effectively. It also provides seamless access to other PowerNet systems and reference material. All operational teams are now using Risk Mentor and are experiencing positive safety outcomes as a result.

The next phase of this project is to ensure the ongoing sustainability of our CCF. We intend to establish a team of end-users from across operations that will liaise with their peers and meet regularly with the HSE manager and developer to discuss ongoing improvements that can be made. This will help increase user support to ensure PowerNet meets its employee engagement obligations.

## Safety Communications

Here at PowerNet, we know we have a responsibility to keep our people safe. Part of this is the understanding that clear communications with the right safety messages are vital. PowerNet regularly uses simple and effective communication tools to support the dissemination of internal safety messages. These include incident investigation closeout alerts, where safety learnings are circulated to employees after an incident occurs as part of an ongoing commitment to strong safety performance and improvement.





Abbie March (PowerNet) producing a Safety Alert report.

## Safety Representatives

To support our 'safety always' culture, we continue to strengthen our health and safety leadership and expertise. During 2022-23, PowerNet's Health, Safety and Environment (HSE) board committee continued to meet regularly and provide guidance and assurance that PowerNet is meeting legislative and regulatory obligations.

PowerNet also has an Employee Health and Safety committee of trained health and safety representatives who have become an integral component to communicating health and safety matters across the organisation.

## External Verification for Safety Standard

PowerNet employs the services of Lines and Cables Training Limited to validate that our field teams and contractors are completing work as specified, and to a high safety standard. All information from field audits are stored in our health and safety system – which automates any corrective action required, creating accountability at all levels and, most importantly, ensuring that issues are remedied so people go home unharmed.

## Collective Networks Operations Group (CNOG)

PowerNet's involvement on the Collective Network Operations Group (CNOG) continues to ensure alignment across the industry for safety improvements, operational efficiency, and standardised operating processes. Comprising representatives from South Island electricity lines companies, the Group works collaboratively through online discussions and queries using the CNOG forum, hosted on the EEA's Knowledge Network platform.

CNOG's web-based single point of contact for transport operators moving high loads is now well established throughout South Island networks. The Group actively consults with the EEA on the review of guidelines, with a particular focus on operational functions (for example, the re-closing of circuit breakers after a fault). CNOG has also been effective in liaising with electricity retailers to establish common terminology around disconnection and isolation of customer installations. In other projects, the Group is working to establish the Common Competency Framework and is investigating a standardised approach to reducing inadvertent contact with overhead lines.

## Electricity Sector and Government

The Electricity Network Aotearoa (ENA) is the industry membership body that represents all electricity distribution businesses, including the networks managed by PowerNet. ENA's primary role is to guide policy development and engage with government agencies on the sector's behalf. PowerNet actively engages with the ENA-facilitated working groups that harness members' collective expertise. These groups include the Distribution Pricing Working Group, which develops future pricing strategies, attended by our commercial manager, and the Future Networks' Forum which discusses and shares best practice approaches to the introduction and use of 'smart' technology, attended by our New Energy team. They also include the Information Disclosure Working Group, which works to ensure the most practical and useful information is reported clearly and consistently for consumers, attended by our regulatory manager. The groups actively provide industry direction in areas that include the two regulators, the Commerce Commission and the Electricity Authority.

# Our Executives



**Jason Franklin**  
Chief Executive



**Anton Booyzen**  
GM Asset Management



**Geoff Thorburn**  
GM Operations



**Kavi Singh**  
GM New Energy Development and Strategy



**Rangi Solomon**  
GM Health, Safety and Environment





**Greg Buzzard**  
Chief Financial Officer



**David Stevens**  
GM People, Culture and Communication



**Rachael Watt**  
GM Business Support and Improvement



**Kewal Bagal**  
GM Business and Customer Growth

# Power to Communities

At PowerNet, we know that keeping our community, our people and our contractors safe is central to everything we do. Driven by maintaining the highest levels of safety performance, we remained vigilant during 2022-23 to ensure the safety of those working on the networks we manage - because that is the fundamental foundation to powering our communities.

## Powering our Regions

### Keeping Our Communities Safe

For us, protecting the public and anyone working on our networks from potential risks starts with the development and attainment of robust procedures and policies, together with protecting our assets, supporting safety services and enhancing community understanding.

PowerNet has a Safety Management System (SMS) which complies with the requirements of NZS 7901:2014 Electricity and Gas Industries - Safety Management System for Public Safety. The SMS is audited annually to retain a current audit certificate. Telarc undertook its annual compliance audit of our SMS in March 2023, and the audit report indicated that the SMS was functioning well.

Part of overseeing a robust safety programme ensures assets are regularly inspected to confirm they comply with safety and regulatory requirements and to gather data about their condition. In addition, we know that trees coming into contact with powerlines increases the likelihood of power outages and presents significant public safety risks. That's why PowerNet is committed to investing in vegetation management so that trees and other vegetation are kept clear from power lines and electrical equipment.

We also ensure to actively promote 'Before U Dig', a third-party online cable location service that helps reduce the risk of contractors, farmers and the public encountering buried cables and potentially harming themselves or causing property damage when digging on their property. The use of specialised equipment helps to locate buried cables and identify cable routes so that all parties know danger areas before they commence work.

To complement our safety system maturity, our support of safety services, and our investment in vegetation management, PowerNet is also committed to community safety education. This saw us attend two community-based events in March 2023 - the Southland A&P Show in Invercargill, and the 'Think Safe Brain Day' targeting schools in the Maniototo region. Team members enjoyed engaging with these communities and delivering public safety messages about staying safe around electrical network equipment.

We continue to support our efforts through proactively promoting public safety messages in print and social media channels. Since 2018, our vehicle fleet has been adorned with public safety messages and our relationship with a major southern insurer, FMG, continues to promote public safety messages to rural communities in the southern region.



PowerNets public safety messages.



Tony Clarke (PowerNet) discussing public safety at the Southland A&P Show.

POWER TO COMMUNITIES





## Asset Management Plans

Asset Management Plans, the disclosure documents that outline planned capital and maintenance expenditure on the TPCL, EIL, and OJV (including LNL) networks, have been updated for the 2023-2033 period. These Plans outline how network assets will be managed to meet stakeholder requirements and to ensure PowerNet provides a safe, efficient and reliable electricity supply to the communities each network serves. Considerations include cost, equipment, and lifecycle drivers, as well as regulatory requirements, demographic changes, environmental impacts, and required service levels. Our Asset Management Plans for the next 10-year period can be viewed on our website at [www.powernet.co.nz](http://www.powernet.co.nz).

## SAIDI AND SAIFI

Two reliability measures are commonly used by Electricity Distribution Businesses (EDBs). They are SAIDI (system average interruption duration index) and SAIFI (system average interruption frequency index). SAIDI is a measure of the average duration of power interruptions for each customer served and is measured in minutes or hours over the course of a year. SAIFI measures the average number of interruptions a customer experiences over a year, measured in units of interruptions per customer.

We have enhanced our web interface, which displays the location of planned interruptions on a map with key information to assist customers in identifying and understanding the impact of planned disruptions.

SAIDI is measured against both revenue-linked reliability targets and limits that must be achieved, set by our regulator, the Commerce Commission. The targets provide distributors with the opportunity to balance the cost to invest in quality that reflects consumer demand against the ability to earn profits at the expense of quality. Early notification of planned power interruptions are incentivised through a reduction in SAIDI for periods where the interruption occurs within the notified period.

PowerNet uses the relationships that retailers have with customers to notify planned outages. The networks PowerNet manage target sending notifications to retailers at least 20 working days before the planned outage, allowing retailers time to pass on notifications to customers as early as possible.

Unplanned interruptions are subject to normalisation. Normalisation limits the impact of unpredictable major events, such as severe weather events, being mistaken for signs of asset deterioration. All significant events and outages on PowerNet-managed networks are investigated to identify failure modes. Once identified, improvement plans are implemented.



As a consumer-owned business, TPCL is exempt from the requirement to comply with a quality limit. Nonetheless, TPCL calculates and measures itself against the quality limit that would have been in effect had it not been exempt.

	Actual	Limit		Cumulative Actual	Cumulative Limit	
TPCL SAIDI Planned	90.78	141.81	●	323.92	425.44	●
TPCL SAIFI Planned	0.644	0.6640	●	2.13	1.99	●
TPCL SAIDI Unplanned	199.33	156.53	●			
TPCL SAIFI Unplanned	2.882	3.5640	●			

SAIDI results for planned and unplanned outages are assessed against an overall annual target. For non-exempt businesses like EIL and OJV, an incentive target allows additional revenue to be available to the EDB based on improved customer service.

Planned outage results have annual limits and targets but are ultimately assessed against a limit set for the full regulatory period – in this case, 2020-2025. The cumulative result is a combination of the assessed results for the first (2020-21), second (2021-22) and third (2022-2023) years of the regulatory period.

TPCL exceeded the SAIDI Unplanned Limits but has stayed within the cumulative limits. The SAIFI Planned and SAIFI Unplanned interruptions were within the annual limits but exceeded cumulative limits. As an exempt business, there are no revenue penalties.





	Actual	Limit	Incentive Target		Cumulative Actual	Cumulative Limit	
EIL SAIDI Planned	15.76	22.90	●	7.63 ●	44.18	68.69	●
EIL SAIFI Planned	0.0812	0.1037	●		0.27	0.31	●
EIL SAIDI Unplanned	17.80	25.86	●	15.39 ●			
EIL SAIFI Unplanned	0.2444	0.6956	●				

SAIDI results for planned and unplanned outages are assessed against an overall limit and a revenue incentive target. Annual results that remain within the incentive target allow additional revenue to be available to the EDB based on improved customer service.

Planned outage results have annual limits and targets but are ultimately assessed against a cumulative limit set for the full regulatory period – in this case, 2020-2025. The cumulative result is a combination of the assessed results for the first (2020-21), second (2021-22) and third (2022-2023) years of the regulatory period.

Normalised SAIDI and SAIFI for EIL Unplanned interruptions were within the annual limits.

EIL exceeded the SAIDI Incentive Target, resulting in a revenue penalty. However, SAIDI Planned remains well within the cumulative limit for the regulatory period. Normalised SAIDI Unplanned result was outside the Incentive Target, resulting in a small revenue penalty.



	Actual	Limit	Incentive Target		Cumulative Actual	Cumulative Limit	
OJV SAIDI Planned	144.50	422.89	●	140.96 ●	462.40	1268.66	●
OJV SAIFI Planned	0.8640	1.9242	●		2.36	5.77	●
OJV SAIDI Unplanned	143.82	160.35	●	120.02 ●			
OJV SAIFI Unplanned	1.7704	2.4172	●				

SAIDI results for planned and unplanned outages are assessed against an overall limit and a revenue incentive target. Annual results that remain within the incentive target allow additional revenue to be available to the EDB based on improved customer service.

Planned outage results have annual limits and targets but are ultimately assessed against a cumulative limit set for the full regulatory period – in this case, 2020-2025. The cumulative result is a combination of the assessed results for the first (2020-21) second (2021-22), and third (2022-2023) years of the regulatory period.

Normalised SAIDI and SAIFI for EIL Unplanned interruptions were within the annual limits.

OJV exceeded the SAIDI Incentive Target, resulting in a revenue penalty. However, SAIDI Planned remains well within the cumulative limit for the regulatory period. Normalised SAIDI Unplanned result was outside the Incentive Target, resulting in a small revenue penalty.

## Supporting our Communities

### Partnering with Hato Hone St John

Supporting our communities through strong partnerships continues to be an integral part of PowerNet's customer-centricity, evident in our long-term sponsorship of Hato Hone St John which is now entering its tenth year.

Over the nine-year partnership with St John, we have invested a total of \$900,000 to help support the following:

- Five public first aid training courses, where 72 people have received training across four southern locations;
- Rental funding for the Hato Hone St John Training Centre in Invercargill, where up to 119 courses were delivered to 1,433 participants;
- The installation of 17 publicly accessible AEDs in our communities (completed in 2020);
- Funding Hato Hone St John's Electric Vehicle (EV) charging units for their health shuttle service, with an additional \$8,000 sponsorship in 2021. The units were installed at Hato Hone St John stations at Bluff, Invercargill, Otautau and Winton. Their electric van has driven 9,221 kms and has helped 659 clients be transported to their medical appointments;
- Contributing to a milestone in December 2022 of one million year 5-6 tamariki receiving lifesaving first aid training through our long-term co-funding of the southern region's 'ASB St John in School' programme across New Zealand. In 2022-23, thirty-six sessions trained 4,881 students throughout nine southern locations;
- Sponsorship of the Mental Health First Aid training programme, which has upskilled 99 people in identifying and supporting work colleagues, friends, and family members experiencing mental distress (and learning how to understand and respond to signs of mental health issues). Training sessions were held at seven southern locations over 2022-23, including Balclutha, Tuatapere, Stewart Island, Bluff, Invercargill, Otautau and Winton;
- Principal sponsorship of St John's pilot, Whātua te Waiora | Weaving Wellbeing, in the southern region. For the 2022-23 year, 666 students from Year 7-8 across seven southern schools gained resilience and coping skills training.



Hato Hone St John community educator, Alan Reilly at Southland Girls High School.

### Southland Warm Homes Trust

PowerNet continues to support the Southland Warm Homes Trust (SWHT) with administration services. Since 2008, the SWHT, in conjunction with the Energy Efficiency and Conservation Authority (EECA), has completed over 8,500 insulation and heating retrofits in Southland and West Otago.

The Trust provides funding in the Southland and West Otago area in conjunction with the current government programme called Warmer Kiwi Homes. The subsidised insulation and heating programme targets homeowners on low incomes, or homeowners who live in low socio-economic areas. The success of this programme in the recent years has resulted in the Government committing further funding of \$402 million in May 2023, over four years to extend and expand the programme beyond June 2024. This funding is administered by EECA through local service providers who meet installation and health and safety standards.

Under the Warmer Kiwi Homes programme, eligible homeowners can have up to 95% of their ceiling and underfloor insulation costs, or a new efficient heating unit (heat pump or wood/pellet burner) funded by EECA. This includes the Trust contributing 15% of the subsidy from community funding. To be eligible, homes must be built prior to 2008, the homeowner (owner-occupier) must have a community services card, or own and be living in an area identified as low income.

In addition to the EECA/SWHT programme, SWHT and Awarua Synergy offer other subsidies of up to \$2,000 for households with high health needs, or situations of financial hardship, to install insulation or an efficient heating unit.





*PowerNet's Ray King congratulates SIT Most Improved Student, Lakota Wolfe-Pink.*

### Growing Industry Talent

Helping the engineering industry grow through supporting the development of skills and training is a pivotal part of PowerNet's investment in its communities. During 2022-23, we continued our association with the University of Canterbury engineering faculty, supporting electrical engineering students with a scholarship for their Bachelor of Engineering degree. The three-year scholarship provides course fees and semester break employment for practical degree requirements.

In addition, PowerNet continued its support for the Southern Institute of Technology, sponsoring the Most Improved Student Award in the electrical pre-trade course.

### Tour of Southland

We continued our participation in the Tour of Southland during 2022-23, which has become a highlight of PowerNet's annual calendar and a visible component of our community participation.

The team consisted of Ollie Jones, Paul Oldin, Kiaan Watts, Josh Kench, Robert Huisman and Josh Haggerty. The team's performance was evident in their results, with Josh Kench winning the 'Henderson Construction Under 23' category and finishing third in the General Classification. Ollie Jones came seventh in the overall title race, and second in the 'King of the Mountains' competition. Kiaan Watts came second in the stage to Te Anau, and the PowerNet team finished in fourth place in the teams' competition.

Sponsored by PowerNet with sub-sponsorship from Pure Nutrition and Tineli, Aaron Sinclair managed the team with support from PowerNet employees and their families throughout the tour week.

# New Energy and Business Innovation

At PowerNet, we are committed to remaining at the forefront of new energy technologies. We continue to explore initiatives that support the transition to a lower emissions future and are working at pace to create a better understanding of all possible energy solutions.

## New Energy

### New Energy Developments

The decarbonisation of our regions is here. The global and national imperative to lower carbon emissions has led to a rapid increase in the development of new energy technologies such as energy storage, Electric Vehicles (EVs), renewable generation, and smart appliances, together with the increasing appetite to electrify industries across our southern region.

PowerNet is actively supporting our customers as they navigate their energy options today and in the future. More and more industries are looking to electrify their operations to meet their own climate change targets, the uptake of EVs is steadily accelerating across the southern region, and installations of solar photovoltaic (PV) panels across our networks are on the rise. Battery energy storage will become more affordable in the years ahead with economies of scale and manufacturing efficiencies, allowing greater customer choice and adoption.

The smart and cost-effective use of new and established energy technologies is a critical enabler to achieving our business objectives, together with our ability to leverage existing infrastructure and investments to deliver the best outcomes for our customers and shareholders.

### Award-Wining Microgrid Solution

Developing alternative energy solutions to supply power to customers is part of the ongoing evolution of our industry. It has become useful for the team at PowerNet to consider other ways to manage parts of our networks, particularly with two of the four networks that we operate and manage (TPCL and OJV) having the lowest densities of customer connections to network assets in New Zealand.

With a large number of remote customers connected through electricity lines that traverse challenging terrain, new energy solutions like microgrids can enable a more robust and economic solution to supply remote customers rather than maintaining or replacing ageing power lines. Microgrids are typically comprised of solar PV generation, battery storage and backup generation, producing energy primarily from clean and renewable local generation.

PowerNet's pilot microgrid system at Rowallan, on behalf of TPCL, has been successful in proving the microgrid concept as a reliable alternative to remote overhead power lines. PowerNet's deployment of this microgrid system was also recognised by the Electricity Engineers' Association with an Award for 'Engineering Excellence' during the 2022-23 reporting year.

As a result of our pilot at Rowallan, PowerNet has developed a data-driven system to identify further economic microgrid opportunities where cost efficiencies can be achieved for customers. This microgrid identification system is being refined and automated to ensure all opportunities are located, including cases where multiple customers within an area may be more cost-efficiently supplied from microgrid assets.

PowerNet has also assessed the viability of small-scale wind generation and will deploy wind turbines where these form part of an optimal technology mix.



Rowallan Microgrid.





## Decarbonising Industries

New Zealand's support of the global imperative to decarbonise has been locked in with the Government's commitment to be carbon zero by 2050 and the introduction of the Government Investment in Decarbonising Industry (GIDI) Fund.

As part of this, PowerNet is already seeing increased interest from our commercial and industrial customers to contribute to reducing carbon emissions in our regions by shifting their large thermal fuel boilers to a more renewable source; electricity being one of them. Two of our major industrial customers are decommissioning coal-fired boilers and converting them to electricity as part of their strategy to reduce CO<sub>2</sub> emissions involved in powering their plants.

In February 2023, PowerNet also held its first major customer event after the Covid-19 pandemic, with a focus on decarbonising industries. There were more than 70 participants present, including key stakeholders such as Transpower and EECA. The event involved presentations from several customers on their decarbonisation journey through electrification of industrial process heat and heavy transport, together with presentations from PowerNet, service providers, and EECA on how they can help customers to decarbonise. Feedback following the event showed participants appreciated hearing directly from the customers, as well, as the networking and learning opportunity the event facilitated.

Key messages from customers who are decarbonising:

- Businesses need to have sustainability targets on decarbonisation, and commit to a clear timeline with resources for action;
- Collaborate with stakeholders and service providers as early as possible - as they can help develop decision criteria, explore solution options, create an execution plan, and accelerate emission reductions;
- The final investment decisions on decarbonisation have not been simple or significantly more economic; however, the businesses have committed as they believe it is the right thing to do for the sustainability of the environment, their customers and their business.

Why customers chose electrification to decarbonise:

- Businesses chose the electric boiler or heat pump option for industrial process or space heating due to their zero emissions, enabling a more compelling sustainability story;
- Rapid operational response capability;
- Mature and transparent electricity market that is able to provide long-term competitively priced energy;
- Lower workforce and maintenance requirements;
- Ease of automation;
- Significantly smaller physical footprint of required hardware and less building works;
- Cleaner site operation as no trucking and stockpiling of fuel and no related dust and ash;
- Reduction in site Health and Safety risks.

PowerNet is committed to supporting decarbonisation efforts across our regions and is looking forward to developing and growing our networks to enable the new energy future.





Southern Generation Limited Partnership assets.

### Southern Generation Limited Partnership (SGLP)

Our shareholders, The Power Company Ltd and Electricity Invercargill Ltd, are committed to decarbonisation and helping New Zealand transition from fossil fuels to renewable energy, which remains a core strategic focus. As a result, their investment in the SGLP, where they have been partners since 2015 to support growth in renewable electricity assets, continues to be successful, with the recent purchase of three north hydro stations in 2021, adding a combined generation capacity of 15-23GWh annually.

In 2022-23 the total generation outputs of SGLP's two wind generation sites, together with the six hydro power stations, was 260.7GWh.

### PowerNet's Smart Energy Home

Over the past five years, PowerNet has been taking insights from its Smart Energy Home project - a two-bedroom PowerNet-owned house equipped with smart energy technologies such as solar photovoltaic (PV), battery energy storage systems, and an EV. Through this project we have been able to harness first-hand learnings about energy technologies that enable smarter energy use, their benefits, and how we can leverage these to create better efficiencies and services for our customers and our networks.

Over the tenancy, PowerNet has been gathering energy data and analysing the benefits from the installed technologies and appliances. The data has helped us to understand smart energy use in the lower South Island environment and is enabling us to see potential energy-use trends as new energy technologies mature. The information and analysis aids in better planning for electricity networks through scenario-based modelling and load projections.

## Data-Driven Decisions

To support our networks and customers as we look ahead to a new energy future, we know that developing our capability to harness different data sources and systems will enable PowerNet to extract valuable information to support effective decision-making, strategy development, and planned operational activities.

Market research on technology trends and analytic and visualisation tools are being developed to forecast future scenarios and PowerNet has acquired additional resources (in both employees and hardware) to aid our organisation's ability to ingest data and convert it to actionable information.

Using data from smart meters and other sources, PowerNet has developed data science methods and tools to undertake more comprehensive and complex load forecasting, accounting for the uptake of new energy technologies on our network – such as rooftop PV solar, EVs, and battery storage – because we know they have the potential to significantly impact available capacity on the network. The analysis and forecasts help PowerNet build an understanding of capacity utilisation and network congestion and informs our decisions on safety, operations, maintenance, and investments.

PowerNet also retrieves event data from the smart meters, allowing us to identify and investigate issues before potential disruptions to customers occur. Some of the event data we have retrieved from the smart meters are last gasps and power restore alerts. Last gasps are alerts that are sent out by the smart meter when it does not receive any power, usually due to an outage, and the power restore alerts are sent out when the smart meter has power turned back on.

The availability of this data, especially in visual representation, is particularly useful from an outage management point of view because PowerNet can see in near real-time when power is interrupted. This allows PowerNet to respond to outages before a customer calls in to report it and enables us to see when planned outages have occurred and when we have isolated circuits for fault response. Figure 1 shows a PowerNet dashboard that shows these alerts in near real-time.

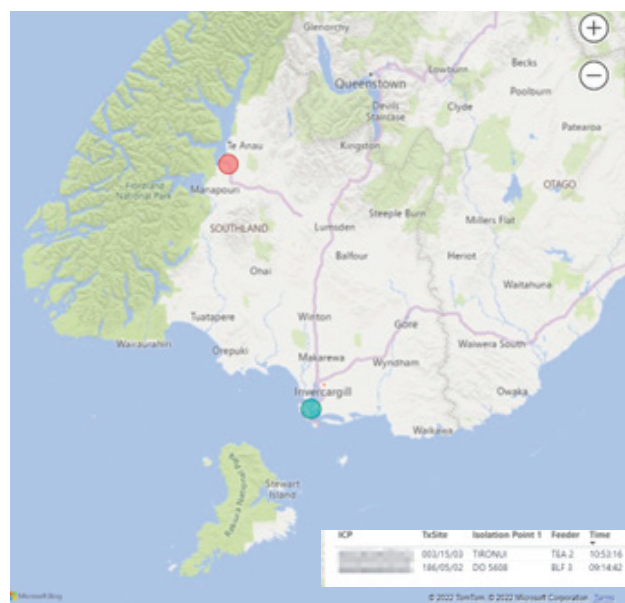


Figure 1 - PowerNet Last Gasp Dashboard - Highlighting Near Real-time Outages (ICP obfuscated for privacy).

## Distributed Generation Uptake

Solar PV installations have been the main type of Distributed Generation (DG) in PowerNet-managed networks over the last ten years. As of March 2023, EIL has 130 solar connections, TPCL has 498 solar connections and OJV has 277 solar connections. These 904 solar connections represent approximately 1.21% of our total connected customers.

Our annual customer engagement survey completed in August 2022 indicates that intentions to purchase and install solar panels on rooftops in the next five years have increased to 38% - an increase of 9% from 2019. The main barriers to adoption are still largely related to economic reasons, where the projected payback period has a large influence on the purchase intention.

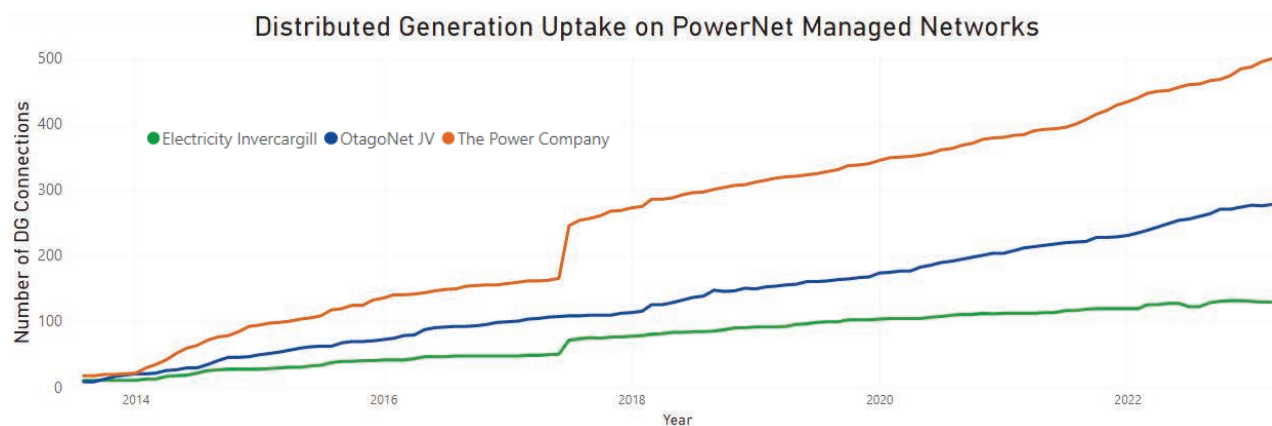


Figure 2 - Distributed Generation Uptake on PowerNet Managed Networks.



## Protecting our Environment

Community initiatives and projects that encourage and support the transition to a low carbon economy are of utmost importance to the team at PowerNet. Part of this support has been promoting the uptake of electric vehicles (EVs) and positively influencing public perceptions about the benefits and practicalities of EV use.

Past sponsorship of EV chargers for Southland businesses who are electrifying their vehicle fleet has helped PowerNet understand EV charging periods and energy usage – enabling us to use this data to estimate carbon dioxide emissions offset from operating an electric vehicle. We support the development of rapid EV charging infrastructure and will continue to work with regional organisations and our industry across New Zealand to explore further opportunities to expand the charging infrastructure in the southern region.

In addition, PowerNet's EV charger sponsorship to Hato Hone St John in 2021 has now seen St John save approximately \$2,300 to date in running costs. Since the trial started, the electric shuttle vans have used over 3,600kWh of energy and have offset over five tonnes of CO<sub>2</sub>. With the savings in operational running costs, Hato Hone St John has been able to re-invest into programmes for the community, such as Hato Hone St John Youth and Outreach Therapy Pets.

PowerNet also continues to explore ways to reduce its own impact on the environment. We have commissioned a carbon footprint baseline study for the organisation, measuring our Scope 1 and Scope 2 emissions. PowerNet is committed to identifying opportunities to reduce our carbon emissions and is actively working towards New Zealand's goal of being carbon neutral by 2050. PowerNet is planning to add a long-range full electric vehicle to its fleet, to complement the two EVs and five plug-in hybrid EVs we already have. These vehicles have proven popular with our employees, and queries amongst staff on the affordability of EVs are increasing. PowerNet is also incentivising and encouraging employees to support the decarbonisation of the transportation sector by providing electric vehicle charging facilities at some PowerNet offices and depots for the team to use.



L-R: Nicki Eustace and Warren Keen (Hato Hone St John) and Kavi Singh (PowerNet).

## Managing Waste

At PowerNet we are committed to reducing our own waste as a result of our operations, utilising a best practice methodology to manage network waste with a 'reduce, reuse or recycle' approach.

Waste oil is a by-product of the transformers and switchgear used in electricity distribution. Disposing of oil in an environmentally sensitive manner is important to PowerNet, where all oil we use is returned to the supplier for recycling. For the 2022-23 year, no reported waste oil spills over the managed networks were reported.

Our critical success factor of 'continuous improvement' includes lean management and waste elimination through our 5S Lean Management Programme. Power poles are replaced as required because of public safety or network performance. In total, 997 poles were replaced in 2022-23, and removed poles were either recycled or disposed of safely.

Sulphur Hexafluoride (SF<sub>6</sub>) is a potent, colourless, odourless greenhouse gas insulating medium found in high-voltage circuit breakers. SF<sub>6</sub> is only used in sealed, well-contained units. PowerNet has stringent procedures for monitoring gas-filled equipment and uses specialised equipment to check for pressure loss regularly. Substitutes for SF<sub>6</sub> gas have been trialled, and we continue to search for alternatives. The estimated total SF<sub>6</sub> gas on PowerNet managed networks is 677.57 kilograms.

## Business Innovation

At PowerNet, we know that delivering customer-centric and innovative services is key to the continuous improvement of our business. That's why we continually strive to improve the way we work so that we are ready to maximise opportunities for the future needs of our communities.

### Focusing on maturing our Management System

Our focus on maturing our business management system processes saw us achieve Telarc certification in 2022-23 for ISO 55001 Asset Management, Management System (AMMS).

There has already been a number of benefits to gaining the AMMS ISO 55001 certification - one being the development of fleet plans which now drive a systemised approach to maintenance.



This demonstrates our ability to consistently provide effective and efficient lifecycle asset management and compliments our already attained and annually maintained suite of Management System Certifications.

The team is working towards certification for the Environmental Management System EMS (ISO 14001) and is in its final stages.

### Enhancing Business Processes

In 2022-23, we continued to enhance our overall operations by eliminating non-value adding activities from our processes and integrating work and information flows. PowerNet's overall business improvement goal is to advance productivity and efficiency, and to add value for our customers. That means we are focused on continuously reviewing and updating our quality management system as part of an integrated management approach and aligning our system to international best practise standards.

### Works Management Improvement – Nintex Process Manager

During 2022-23, we set up a project team to review how we manage projects - from initiation to completion. During this review, the team identified a number of areas where we could improve the flow of information across our business systems, to increase efficiency and help eliminate delays by updating our field teams with safety-critical information. One of the key elements that enabled this was utilisation of a digital platform, Nintex Process Manager.

Through Nintex Process Manager, PowerNet has been able to automate many of its manual, paper-based processes, including the flow of critical network asset information changes from the field directly to the people updating our asset information systems. Improved data capture which increases monitoring and reporting.

### Focusing on our Customer's Experience

In 2022-23 PowerNet completed extensive analytical work for both our external and internal customers to gain an understanding of how we improve the experiences for our customers. We are committed to using the resources that are available to continually innovate, grow, and increase the value of experiences for our customers and our company.

Based on the findings of this research, PowerNet developed a Customer Experience (CX) Strategy and Plan. The implementation of this approved plan will begin in 2023-24 and aims to increase the satisfaction of all customers, internally and externally.



Graphic sourced from [www.freepik.com](http://www.freepik.com).



### Digital Ecosystem Innovation - Risk Mentor

PowerNet has led the way in New Zealand's electricity industry by building a digital business ecosystem solution to implement its Critical Control Framework, receiving national recognition in the 2022 Awards with the 'Workplace Safety Award' for our Risk Mentor solution.

Risk Mentor, an industry-specific configuration, actively validates that the controls required to manage our critical risks are in place. It has the potential to be deployed industry-wide in New Zealand, and PowerNet has now finalised an agreement with Risk Mentor for launching this innovation to the wider market.

The Innovation will be launched in New Zealand in 2023 via multiple channels, including at the EEA Conference. PowerNet expects to start benefiting from commercial returns within twelve months of the launch.

### ComplyWith Compliance Management Tool

PowerNet continues to see benefits in using ComplyWith, a legal compliance management tool, that provides assurances to the PowerNet Board and the networks under management that the Group is meeting external obligations under legislative Acts and Regulations.

Through ComplyWith, legal obligations are mapped to responsible roles within the business. Responsible roles complete an annual online compliance survey, enabling them to report on compliance and proactively identify any potential legal risks and issues. Action plans are identified and implemented to manage and mitigate risks or issues and monitor progress against delivery.



*L-R Hamish Prentice and Marlon McLean (PowerNet), using the Risk Mentor system.*



# Corporate Governance Statement

This statement provides an overview of the company's main corporate governance policies, practices and processes adopted or followed by the Board.





## Role of the Board of Directors

The PowerNet Board is currently comprised of eight non-executive Directors (the "Board") who are appointed by the respective joint venture shareholders.

The Board is responsible for direction and governance, establishing and monitoring the strategic direction of the Company, with day-to-day management delegated to the Group Chief Executive.

The Board's responsibilities include the group's overall objectives, management, stewardship, performance, and reporting. The Board acts within the company's constitution and Shareholder's Agreement, and are committed to best practice governance, including partaking in ongoing professional development. New Directors undergo an induction process to assist with onboarding.

The Board meets regularly during the financial year, with additional full meetings and Committee meetings held as required.

## Performance Management

A review of the group and board performance is undertaken at regular intervals.

## Legislative Compliance

Legislative compliance is monitored through the Comply Watch and Comply With tools, which are reviewed regularly and reported on quarterly.

The Group insures for liability loss exposures, including Directors & Officers insurance.

## Risk Management

PowerNet acknowledge the critical importance of Risk Management within the business, and aligns this with their vision of Safe, Efficient and Reliable Power to Communities.

The Company has a risk management policy and framework incorporating the ISO 31000:2009 risk management processes. Risk management programs are in place to ensure that risks are identified and mitigated, where possible, and that risk is considered when internal policies and procedures are drafted.

PowerNet has recently achieved ISO 55001 Asset Management Systems– ISO 55001 accreditation. ISO 55001 provides the company with a systemic approach to asset management that meets specific requirements to establish, implement, manage, and continually improve its asset management system.

The Board has overall responsibility for the Company's systems of operational and financial control.

The Board monitors the operational and financial aspects of the Company's activities, principally through the Audit and Risk Committee, and the Board considers the recommendations and advice of external and internal auditors and other external advisors on the operational and financial risks that face the Company.

The Board ensures that recommendations made by the external and internal auditors and other external advisers are investigated and appropriate action is taken to ensure that the Company has an adequate control environment in place to manage the key risks identified.

## Health, Safety and Environment Management

The Board has a strong commitment to ensuring PowerNet's employees, contractors and the public remain safe and well. The Board monitors the health, safety and environment aspects of the Company's activities, principally through the Health, Safety and Environment Committee.

Monthly reports to the Board provide information on accidents, near misses and incidents, together with monthly data on PowerNet's health, safety, and environment performance.

Risks are further identified through regular monitoring, using internal and external audits, reporting of accidents and near misses and formal risk reviews. Directors also focus on the management of critical safety risks by undertaking field observation visits using the Risk Mentor tool to ensure the controls identified in the critical control framework are being consistently applied on-site.

## Board Committees

During the year, the Board had three standing Committees and one special purpose Working Group, established to enhance its effectiveness in key areas, while still retaining board responsibility.

## Audit and Risk Committee

The Board operates an Audit and Risk Committee currently comprised of three non-executive Directors. The Audit and Risk Committee is responsible for reviewing the company's accounting policies, financial statements, financial management, systems of internal control, insurance reviews, management of information systems, external and internal risk management functions, including fraud.

The Committee considers internal risk assessments and external audit reports as well as appoints an external auditor and works collaboratively on audit relationship matters and fees.

The Committee meets four times per year.

The following Directors held office on the Audit and Risk Committee, during the year under review and were paid fees accordingly:

Duncan Fea	Chair
Douglas (Doug) Fraser	Member
Robert (Bob) Taylor	Member
Paul Kiesanowski	Member
Murray Wallace	Member
Don Nicolson	Ex-officio

## Health, Safety and Environment Committee

PowerNet operates a Health, Safety and Environment Committee comprised of four non-executive Directors. The Health, Safety and Environment Committee continually strive for safer workplaces and networks. The management of electricity network infrastructure involves work that is skilled, complex, and potentially hazardous. The protection of people and the environment is considered in every decision and action undertaken by the Health, Safety and Environment Committee.

The Committee meets four times per year, with additional meetings as required.

The following Directors held office on the Health, Safety and Environment Committee, during the year under review and were paid fees accordingly:

Peter Moynihan	Chair
Christopher (Chris) Boyle	Member
Don Nicolson	Ex-officio
Bob Taylor	Member
Wayne Mackey	Member

## Remuneration Committee

The Board has a Remuneration Committee comprising of three non-executive Directors. The Remuneration Committee is responsible for assisting the Board in overseeing the appointment, performance and remuneration of the Chief Executive and members of the Senior Leadership Team, which also includes succession planning. The Remuneration Committee reviews the company's policies and practices, with the objective of ensuring PowerNet is the employer of choice.

The Committee meets as required.

The following Directors held office on the Remuneration Committee, during the year under review and were paid fees accordingly:

Bob Taylor	Chair
James Carmichael	Member
Peter Moynihan	Member
Don Nicolson	Chair

## Management Agreement Working Group (Special Purpose)

The Management Agreement (MA) Working Group is comprised of four non-executive Directors each representing PowerNet and the three Electricity Distribution Businesses (EDBs) that PowerNet acts as agent for. The MA Working Group was established for a finite period to oversee the development of new Management Agreements.

The role of the MA Working Group is to provide support and advice to PowerNet and the Electricity Distribution Businesses (EDBs), being Electricity Invercargill Limited (EIL), The Power Company Limited (TPCL), Lakeland Network Limited (LNL) (previously Electricity Southland Limited (ESL)) Boards, and the OtagoNet Joint Venture (OJV) Governing Committee, for the revision and update of new MAs between PowerNet and each of the EDBs.

The long established and successful relationship between EIL and TPCL has been enjoyed for 29 years, and it is the Working Group's role to ensure the MAs are developed in the best interests of both the EDBs and PowerNet.

The MA Working Group met six times during the past year.

The following Directors were MA Working Group Members during the year under review:

Don Nicolson	Chair, Representing OJV
Paul Kiesanowski	Member, Representing EIL
Bob Taylor	Chair / Member, Representing PNL
Wayne Mackey	Member, Representing TPCL

## External Auditor

The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit and Risk Committee.

The Company's external auditor is PricewaterhouseCoopers (PwC). Adri Smit has been the Audit Partner since 2019.

The Audit and Risk Committee has determined that there are no matters that have affected the auditor's independence. PwC provide the Board with the required independence declaration for the financial year ended 31 March 2023.

## Internal Audit

PowerNet Group Internal Audit function provides independent and objective assurance on the effectiveness of governance, risk management and internal controls across all business operations.

For external expertise, the company works closely with Deloitte on outcomes of the internal audit programme to the extent that they are relevant to the financial statements, and other external subject matter experts are used for non-financial matters.

Regular internal monitoring and review of controls and process is also undertaken by the Audit and Risk Committee.



# Directors' Profiles



## Board of Directors



### Robert (Bob) Taylor *Chair*

*(BE Hons (Electrical), REA)*

Bob has over 45 years of strategic, business and operational management in the electricity supply industry in the United Kingdom and New Zealand.

Bob served for 18 years on the Electricity Engineers' Association (EEA) Safety Strategy and Policy Group, including six years as chairman. He chairs the National Committee on Live Work and is a past president of the EEA. He received the Association's meritorious service award for his contribution to industry leadership.

Bob joined the PowerNet board in 2020 and was appointed chair in January 2021. He is also a member of PowerNet's Health, Safety and Environment committee.



### James Carmichael *Deputy Chair (Appointed 15 February 2023)*

*BE (Engineering) FEngNZ CMIInstD*

James is deputy chair of the PowerNet Ltd board and director of The Power Company Ltd (appointed 1 August 2022). He has over 45 years of experience in the development of large infrastructural projects. Initially, his involvement was as a professional engineering consultant then he joined PowerGen PLC in the role of Business Development Director in South East Asia, as well as PowerGen International's regional director Asia-Pacific.

James has held several governance roles, including directorships on the boards of listed entities including Ranhill Power (Malaysia) and Vector Ltd (New Zealand). James also provides independent strategic advisory and consulting services to companies seeking to expand their business internationally.

James has a Bachelor of Engineering Degree from Canterbury University, is a fellow of Engineering NZ (FEngNZ), and is a chartered member of the Institute of Directors New Zealand (CMIInstD). He is an alumnus of the Columbia University School of Business.





## Christopher (Chris) Boyle

*(BEng (Heavy Current) MBA)*

Christopher has worked internationally in power systems, bio-tech and SAS startups, hydrogen energy technologies and aerospace propulsion. Christopher's current business activities involve the development of technologies to support the decarbonisation of transport fleets using hydrogen systems.

Christopher is a director on the board of PowerNet Ltd. His current board roles also include chairman of Fabrum Group Ltd, Levno, Quasar Systems and director of Horizon Energy Group and Resonant.

He has a Bachelor of Engineering (Heavy Current) and Master of Business Administration and is a chartered member of the Institute of Directors.

Christopher has a strong background in asset management, risk management, strategic thought and future energies. He is passionate about assisting the adoption of reliable, cost-effective renewable resources for a lower emissions economy.



## Paul Kiesanowski

*(BCom, FCA, CMInstD)*

Paul is a former partner of KPMG.

Paul is a director on the PowerNet Ltd and Electricity Invercargill Ltd boards. His other directorships include Black Holdings Ltd and Amalgamated Holdings Ltd.

Paul is a fellow chartered accountant of the Chartered Accountants Australia and New Zealand and a chartered member of the Institute of Directors.

He brings strong financial management skills, risk management and assurance over a career working with a large number of clients.



## Wayne Mackey

*(BE (Electrical), MIEEE)*

Wayne was the CEO of Network Tasman Limited for 18 years. He has also held directorships with Nelson Electricity Ltd and SmartCo Ltd. From 1991-1998, Wayne was CitiPower's general manager and, prior to that, a city energy engineer with the Nelson City Council.

Wayne is a director on the boards of PowerNet Ltd, The Power Company Ltd and Lakeland Network Ltd and a member of the OtagoNet Joint Venture governing committee (from July 2022). He is a member of the Institute of Electrical and Electronic Engineers.

Through his experience leading an electricity network and related directorships, Wayne has extensive industry knowledge.



**Peter Moynihan** *(Appointed 20 July 2022)*  
**BAGSC**

Peter is a director of PowerNet Ltd and was deputy chair of PowerNet from January 2022, retiring in February 2023. He is chair of The Power Company Ltd, Lakeland Network Ltd and the OtagoNet Joint Venture governing committee (appointed February 2023). He is chair of the PowerNet Health, Safety and Environment committee.

After completing his Lincoln degree, Peter embarked on a 33-year banking career where he was running Westpac's South Island Agribusiness team managing over \$5 billion of lending. Peter left banking in June 2021. Peter has interests in three Central Southland Dairy Farming businesses, milking around 1900 cows.

He is also a member of the Institute of Directors.

Peter's comprehensive understanding of balance sheets, trading performance, risk and how strategy and strategy implemented is vital for this industry.



**Karen Sherry** *(Appointed 15 February 2023)*  
**QSM, BA, MA (Hons), LLB (Hons), C.FInstD**

Karen is a director and shareholder of the legal firm Donnell Sherry Ltd where she specialises in commercial and trust law.

Karen has 28 years of experience in governance in the Electricity Industry as a director of Mercury Energy Ltd (1994-1999). Karen was first elected to Entrust (formerly Auckland Energy Consumer Trust) in 1994 and was the longest-serving trustee and a former chair of the trust when she stepped down in 2021. She was one of two trustees appointed to the Vector board to represent Entrust's interest from 2006 to 2019. During her time with Entrust and Vector, Karen was a strong advocate for Entrust's consumer beneficiaries. Karen was also the chair of Energy Trusts of New Zealand Inc from 2009 to 2022. Karen was appointed to The Power Company board in July 2022, and she is also a current director of the Energy Efficiency and Conservation Authority and Electra Ltd.

Karen is a former director of the Auckland SPCA, a chartered fellow of the Institute of Directors in New Zealand, and in 2014 she was awarded the Queens Service Medal for her services to the Electricity Industry.



**Murray Wallace** *(Appointed 1 November 2022)*

Murray is a director of PowerNet Ltd and The Power Company Ltd.

Murray brings over 15 years of experience in senior management roles in Southland's export-orientated wood manufacturing industries. He has extensive commercial experience in international markets.

With a Bachelor of Commerce Management (BCM, Lincoln) and Certified Practicing Accountant (CPA, Australia), Murray has a strong background in accounting, risk management and financial control. He has a wealth of experience in business management and management of industrial manufacturing assets.

Murray undertakes advisory services for several businesses in New Zealand and is a member of the Institute of Directors.



## Retired Directors



**Duncan Fea** *(Retired 19 July 2022)*  
(BCom, FCA, CFInstD)

Duncan is a business advisor with 40 years of experience. He is a managing partner for Findex Central Otago Offices and has lived in Queenstown since 1989. Duncan's work involves working closely with clients on strategic planning, business purchases and sales, business development, corporate governance, restructuring and insolvency.

Duncan was a director on PowerNet Ltd and The Power Company Ltd. boards. He chaired the OtagoNet Joint Venture governing committee, Lakeland Network Ltd (from 2011) and the PowerNet Audit and Risk committee. He is a director on the Southern Generation GP Ltd Board (from 2015).

Duncan is a fellow chartered accountant of the Chartered Accountants Australia and New Zealand and a chartered member of the Institute of Directors.



**Douglas (Doug) Fraser** *(Retired 7 September 2022)*  
(BSc (Chemistry), CFInstD)

Self-employed in the primary sector, Doug owns and manages 595 hectares of dairy and sheep farm in Western Southland.

Doug was a director on the boards of PowerNet Ltd and Lakeland Network Ltd and was chair of The Power Company Ltd. He was also a member of the OtagoNet Joint Venture governing committee. His previous Governance roles include Otago Power Services Ltd, NZ Wool Board, Wools of NZ and AgITo.

He has a Bachelor of Science Degree in Chemistry and is a chartered fellow of the Institute of Directors.



**Donald (Don) Nicolson** *(Retired 19 July 2022)*

Self-employed in the primary sector, Don contributed to many advocacy and governance roles. This included as a Trustee for the Southland Electric Power Supply Consumer Trust (SEPSCT) and numerous roles within Federated Farmers locally and nationally, culminating in 2008 by becoming the 27th National President of Federated Farmers of New Zealand and presiding over New Zealand's largest primary sector Association.

Don was a director on the boards of PowerNet Ltd (from 2015), The Power Company Ltd (from 2015) and Lakeland Network Ltd (from 2017). He was also a member of the OtagoNet Joint Venture governing committee (from 2017). He retired from the role of chair on the PowerNet board in December 2021.



# Statutory Report

The Directors are pleased to present the Annual Report and accompanying financial statements in respect of PowerNet Limited's operations for the year ended 31 March 2023.



## Result and Distribution

The Directors report that the company's after-tax profit for the year under review was \$1,313,000.

## Principal Activities

The principal activity of PowerNet is the management of electricity networks and assets, and the provision of contracting services to the electricity distribution sector.

The parties to the PowerNet joint venture are The Power Company Limited and Electricity Invercargill Limited and their interests are represented through their respective wholly owned subsidiaries Last Tango Limited and Pylon Limited.

## State of Company's Affairs

With the continuing support of PowerNet's shareholders, the Directors consider the state of the Company's affairs to be satisfactory. Details of the year under review are included in this Annual Report and the accompanying Financial Statements.

## Dividend

A fully imputed final dividend for the year ended 31 March 2022 of \$1,808,000 (\$506,000 inclusive of imputation credits), was declared during the year and paid to the shareholders on 1 June 2022.

No interim dividend was declared during the year.

## Directors

The Shareholding Companies have appointed Directors as follows:

### Appointed by Electricity Invercargill Limited are:

Chris Boyle (appointed 1 November 2021)  
Paul Kiesanowski (appointed 28 March 2019)  
Bob Taylor (Chair) (appointed 1 November 2020)

### Appointed by The Power Company Limited are:

James Carmichael (Deputy Chair) (appointed 15 February 2023)  
Duncan Fea (appointed 8 September 2011, ceased 19 July 2022)  
Doug Fraser (appointed 9 September 2004, ceased 7 September 2022)  
Wayne Mackey (appointed 6 September 2017)  
Peter Moynihan (Deputy Chair) (appointed 6 September 2017)  
Don Nicolson (Chair) (appointed 1 October 2015, ceased 19 July 2022)  
Wayne McCallum (appointed 20 July 2022, ceased 15 February 2023)  
Karen Sherry (appointed 15 February 2023)  
Murray Wallace (appointed 21 November 2022)

## Directors' Interests

The following entries were made in the Interests Register of the Company with regard to the Directors:

### General:

All Directors are interested in transactions with the Company involving the supply of standard network services, on standard terms and conditions, to premises in which they may have one or more of the following interests:

- (a) Owner, either alone or jointly with others.
- (b) Parent, child or spouse of another person who may have a material interest in a property.
- (c) Director, officer or shareholder of a body corporate which may have a material interest in a property.
- (d) Trustee or beneficiary of a trust which may have a material interest in a property.

Because the interest which Directors may have in such transactions is no different in kind, quality, benefit or obligation from transactions which the Company has with other network services customers, it is not intended to list such premises or properties in the Interests Register.

## Directors' Register

The Directors' register for PowerNet Limited and its associated entities, is as follows:

	PowerNet Limited	The Power Company Limited	Electricity Invercargill Limited	OtagoNet Limited	OtagoNet Joint Venture	OtagoNet Properties Limited	Roaring Forties Energy GP Limited	Southern Generation GP Limited	Lakeland Network Limited	Last Tango Limited	Pylon Limited
Christopher Boyle	●										
James Carmichael	●	●		●	●	●			●	●	
Duncan Fea	●	●		●	●	●	●	●	●	●	
Doug Fraser	●	●		●	●	●			●	●	
Paul Kiesanowski	●		●								●
Wayne Mackey	●	●		●	●	●	●		●	●	
Wayne McCallum	●	●								●	
Peter Moynihan	●	●								●	
Donald Nicolson	●	●		●	●	●			●	●	
Karen Sherry	●	●								●	
Robert (Bob) Taylor	●										
Murray Wallace	●	●								●	



## Directors' Disclosure of Interest

### Interests Register

Register of Directors' external Interests - as at 31 March 2022 [Companies Act 1993, Section 189 (1) (c)].

#### Christopher Boyle

AFCryo Limited	<i>Director</i>
AFCryo Global Limited	<i>Director</i>
Boyle Consulting Limited	<i>Director</i>
Fabrum Solutions Limited	<i>Director</i>
Horizon Energy Group and Associated Companies	<i>Director</i>
Levno Limited	<i>Chair</i>
Resonant Consulting Limited	<i>Director</i>
Resonant Consulting Trustee Limited	<i>Director</i>
Quasar Systems Limited	<i>Chair</i>

#### Duncan Fea

Findex	<i>Partner</i>
--------	----------------

#### James Carmichael

Aku Investments Limited	<i>Director</i>
JC2V Limited	<i>Director</i>
Parkwood Body Corporate	<i>Chairman</i>
Project Max Limited	<i>Non-Executive Director</i>

#### Karen Sherry

Donnell Sherry Limited	<i>Director/Shareholder</i>
Energy Efficiency and Conservation Authority (EECA)	<i>Member</i>

#### Paul Kiesanowski

Amalgamated Holdings Limited	<i>Director</i>
Black Forrest Holdings Limited	<i>Director</i>
Black Holdings (NZ) Limited	<i>Director</i>
Paul Kiesanowski Advisory Limited	<i>Director/Shareholder</i>

#### Wayne McCallum

J A McCallum & Son Limited	<i>Director/Shareholder</i>
Selecter Uniform Limited	<i>Director</i>

#### Peter Moynihan

Aerodrome Farm Limited	<i>Director/Shareholder</i>
Agristrategy Limited	<i>Director/Shareholder</i>
Rathmore Farm Limited	<i>Director/Shareholder</i>
Ravensdown Limited	<i>Director/Shareholder</i>
Shamrock Dairy Farms Limited	<i>Director/Shareholder</i>

#### Bob Taylor

Bob Taylor Limited	<i>Director/Consultant/Shareholder</i>
Electricity Engineers Association National Committee Live Work	<i>Chairman</i>
Sterling Tree Limited	<i>Director/Shareholder</i>

#### Murray Wallace

Biobiowood Limited	<i>Director</i>
Gorton Lumber Macro Limited	<i>Director/Shareholder</i>
Jethro Associates Limited	<i>Director/Shareholder</i>

## Remuneration of Directors

Directors' remuneration for PowerNet Limited of \$352,761 was distributed as follows. **Note:** Directors Carmichael, Sherry and Wallace were pool remunerated by their Shareholder:

Director	Appointment Date to PowerNet Limited Board	Retirement Date from Board	2021/2022
Bob Taylor <i>(Chair from 1 January 2022, Deputy Chair from 1 July 2021)</i>	01 Nov 2020		\$89,500
Christopher Boyle	01 Nov 2021		\$40,563
Duncan Fea	08 Sep 2011	19 July 2022	\$15,500
Doug Fraser	09 Sep 2004	7 Sep 2022	\$18,196
Paul Kiesanowski	28 Mar 2019		\$48,479
Wayne Mackey	06 Sep 2017		\$44,917
Peter Moynihan <i>(Deputy Chair from 1 January 2022 – 15 February 23)</i>	01 Nov 2019		\$59,375
Don Nicolson <i>(Chair to 31 December 2021)</i>	01 Oct 2015	19 July 2022	\$14,750
Wayne McCallum	20 Jul 2022	15 February 2023	\$21,482

## Employee Remuneration

One hundred and twenty continuing or former employees received remuneration in the following bands:

\$100,000 - \$110,000	36	\$180,000 - \$190,000	1
\$110,000 - \$120,000	27	\$190,000 - \$200,000	2
\$120,000 - \$130,000	21	\$210,000 - \$220,000	1
\$130,000 - \$140,000	13	\$220,000 - \$230,000	1
\$140,000 - \$150,000	4	\$320,000 - \$330,000	1
\$150,000 - \$160,000	3	\$340,000 - \$350,000	1
\$160,000 - \$170,000	6	\$350,000 - \$360,000	1
\$170,000 - \$180,000	1	\$590,000 - \$600,000	1

120

## Scholarships, Awards and Donations

Donations were made by the Company during the year totalling \$7,221.

## Use Of Company Information

During the year the Board received no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been made available to them.

## Auditor Remuneration

Refer to Note 4 of the Financial Statements for Auditor remuneration.

## Directors' and Employees' Indemnity and Insurance

Liability Insurance was effected for Directors and certain Executives of the Company.


## Accounting Policies

There have been no changes in accounting policies during the year. These have been applied on a basis consistent with those used in the previous year.

For and on behalf of the Directors.



Robert Bruce Taylor  
Chair



James Albert Carmichael  
Deputy Chair



*Tokonui area (photo supplied by Olivia van Schaik).*





# Approval by Directors

The Directors have approved the Financial Statements of PowerNet Limited for the year ended 31 March 2023 pages 62 to 84.

For and on behalf of the Board.



Robert Taylor  
Chair  
24 May 2023



James Carmichael  
Director  
24 May 2023





# Financial Statements

60	Statement of Comprehensive Income
61	Statement of Changes in Equity
62	Statement of Financial Position
63	Statement of Cash Flows
64	Notes to the Financial Statements
84	Auditors' Report

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 \$'000	2022 \$'000
Revenue from Contracts with Customers	2	92,499	84,672
Other Income	3	432	639
Operating Expenses	4	(88,036)	(79,825)
Financial Expenses	4	(3,595)	(2,413)
<b>Operating Surplus Before Taxation</b>		<b>1,300</b>	<b>3,073</b>
Taxation (Expense) / Benefit	5	13	(783)
<b>Net Surplus after Taxation</b>		<b>1,313</b>	<b>2,290</b>
<b>Total Comprehensive Income</b>		<b>1,313</b>	<b>2,290</b>

The accompanying notes on pages 64-83 form part of and should be read in conjunction with these Financial Statements.



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Notes	2023 \$'000	2022 \$'000
<b>Total Comprehensive Income</b>			
Net Surplus for the Year		1,313	2,290
<b>Distributions to Shareholders</b>			
Dividend Paid / Declared		(1,301)	(986)
<b>Changes in Equity for the Year</b>		<b>12</b>	<b>(1,304)</b>
Equity at the Beginning of the Year		5,616	4,312
Equity at End of Year		5,628	5,616

The accompanying notes on pages 64-83 form part of and should be read in conjunction with these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 \$'000	2022 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Short-Term Bank Deposits	7	463	616
Receivables and Prepayments	8	17,252	12,765
Unbilled Construction Work in Progress	10	3,007	5,587
Inventories	9	2,765	3,014
<b>Total Current Assets</b>		<b>23,487</b>	<b>21,982</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	16	18,453	17,358
Capital Work in Progress		1,073	1,316
Intangibles	17	8,913	9,061
Deferred Taxation Asset	15	789	690
Deferred Revenue		15	16
Right-of-Use Assets	14	15,458	14,814
<b>Total Non-Current Assets</b>		<b>44,701</b>	<b>43,255</b>
<b>Total Assets</b>		<b>68,188</b>	<b>65,237</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors and Accruals	11	8,416	5,633
Employee Entitlements	12	4,457	4,605
Taxation Payable		25	113
Derivative Financial Instruments	22	8	-
Lease Liabilities	14	108	58
<b>Total Current Liabilities</b>		<b>13,014</b>	<b>10,409</b>
<b>Non-Current Liabilities</b>			
Advances	13	32,619	33,469
Lease Liabilities	14	16,927	15,743
<b>Total Non-Current Liabilities</b>		<b>49,546</b>	<b>49,212</b>
<b>Total Liabilities</b>		<b>62,560</b>	<b>59,621</b>
<b>Net Assets</b>		<b>5,628</b>	<b>5,616</b>
<b>EQUITY</b>			
Share Capital	6	4,000	4,000
Retained Earnings	6	1,628	1,616
<b>Total Equity</b>		<b>5,628</b>	<b>5,616</b>

The accompanying notes on pages 64-83 form part of and should be read in conjunction with these Financial Statements.



## STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 \$'000	2022 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Receipts from Customers		88,763	87,783
Interest Received		24	8
		<b>88,787</b>	<b>87,791</b>
<b>Cash Was Applied To:</b>			
Payments to Suppliers and Employees		79,341	77,608
Income Tax Paid		173	1,219
Interest Paid		3,311	2,325
		<b>82,825</b>	<b>81,152</b>
<b>Net Cash Flows From Operating Activities</b>	21	<b>5,962</b>	<b>6,639</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Sale of Fixed Assets		380	179
		<b>380</b>	<b>179</b>
<b>Cash Was Applied To:</b>			
Purchase of Fixed and Intangible Assets		4,192	2,852
		<b>4,192</b>	<b>2,852</b>
<b>Net Cash Flows Used In Investing Activities</b>		<b>(3,812)</b>	<b>(2,673)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Advances and Loans		-	2
		<b>-</b>	<b>2</b>
<b>Cash Was Applied To:</b>			
Advances and Loans		850	3,200
Payment of Dividends		1,301	1,446
Principal Elements of Lease Payments		152	105
		<b>(2,303)</b>	<b>(4,751)</b>
<b>Net Cash Flows Used In Financing Activities</b>		<b>(2,303)</b>	<b>(4,749)</b>
Net Decrease in Cash and Cash Equivalents		(153)	(783)
Cash and Cash Equivalents at the Beginning of the Financial Year		616	1,399
<b>Cash and Cash Equivalents at End of Year</b>	7	<b>463</b>	<b>616</b>

The accompanying notes on pages 64-83 form part of and should be read in conjunction with these Financial Statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2023

## 1 Statement of Accounting Policies

### Reporting Entity

PowerNet Limited is a profit oriented limited liability company that was incorporated in New Zealand on 21 April 1994 and the address of its registered office is 251 Racecourse Road, Invercargill. The Company is a joint venture company and is registered under the Companies Act 1993. The parties to the joint venture are The Power Company Limited and Electricity Invercargill Limited and their interests are represented through their respective wholly owned subsidiaries Last Tango Limited and Pylon Limited.

The principal activity of PowerNet Limited is the management of electricity distribution networks and provision of management and accounting services. PowerNet Limited also provides contracting services to the electricity distribution sector.

PowerNet Limited manages the networks of The Power Company Limited, Electricity Invercargill Limited, OtagoNet Joint Venture and Lakeland Network Limited with those entities retaining ownership of their respective Network Assets.

The financial statements were approved by the Board of Directors on 24 May 2023.

### Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for profit oriented entities.

PowerNet Limited is eligible and has elected to report in accordance with Tier 2 for profit accounting standards, NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR) on the basis that it has no public accountability and is not a large for profit public sector entity.

In adopting NZ IFRS RDR, PowerNet Limited has taken advantage of a number of disclosure concessions.

The reporting currency of these financial statements is \$NZD rounded to the nearest thousand.

### Impact of COVID19 on Financial Statements

The impact of the COVID 19 pandemic on PowerNet Limited's operations has significantly reduced and the operating environment is more certain with weakness in strains, vaccination approaches and an ongoing framework to manage the impact of the pandemic.

Having considered the potential impact of COVID 19 on the business, and concluded that there is no significant impact to PowerNet Limited we believe no changes to the presentation of the financial statements are required.

### Use of Estimates and Judgements

The preparation of financial statements to conform to NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances.

In particular, estimates and assumptions have been used in the following areas:

- Property, Plant and Equipment (includes assumptions around useful life of assets, Note 16)
- Intangibles (an impairment review is performed on the value of goodwill, Note 17)
- Revenue (timing of revenue is assessed under NZ IFRS 15 guidance, Note 2)
- Leases (determination of lease term and incremental borrowing rate applied in accordance with NZ IFRS 16, Note 14)



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

#### (a) Revenue from contracts with customers

##### (i) Line and Metering Charges

Line and Metering charges represent amounts invoiced to retailers based on their usage of the network and metering assets owned by the electricity distribution networks and is recorded as turnover for PowerNet Limited who is acting in the capacity of Agent for Electricity Invercargill Limited, The Power Company Limited, OtagoNet Joint Venture and Lakeland Network Limited. This income is passed through to the networks on a monthly basis.

##### (ii) Capital Works Programme

PowerNet Limited revenue earned on the capital works performed on a network in which the work is derived from the asset management plan. Capital Revenue is calculated based on costs incurred with an agreed mark up applied. Revenue from capital works is recognised over time using an input methodology based on the costs incurred when the company's performance creates or enhances an asset that the customer controls as the Network companies control Work in Progress of any assets created or enhanced.

##### (iii) Agency Services

Revenue from Agency services is earned for work carried out relating to the business management and administration function of the networks.

The transaction price is calculated by an allocation method of budgeted costs (determined at business planning) to recover costs associated to the Management of the Networks, including a mark up.

Revenue from agency services is recognised evenly over time as the customer simultaneously receives and consumes the benefit from the delivery of Management, Maintenance & Business Administration.

##### (iv) Maintenance Services

Revenue from Maintenance services is earned for work carried out on the network assets that maintains the assets to a reliability driven standard which is based on the asset management plan.

The transaction price is designed to recover network costs incurred to maintain assets based on the Asset Management Plan.

Revenue from maintenance is recognised over time using an input methodology based on costs incurred as the customer simultaneously receives and consumes the benefit from the delivery of maintenance undertaken on assets that the Network owns.

##### (v) External Contracting Revenue

Revenue from External Contracting is earned on work carried out for non network customers and includes contracts for services provided for the power supply of Stewart Island and district councils for street lighting.

Revenue from external contracting is recognised over time using an input methodology based on the costs incurred with the customer simultaneously receiving and consuming the benefit from the services performed. Invoices are produced on a monthly basis.

##### (vi) Management Service Fixed Fee

Revenue from Management services is earned for work carried out relating to the business management and administration function of different contracts held.

Revenue is recognised evenly over time with the customer simultaneously receives and consumes the benefit from the delivery of Management & Business Administration services.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### (b) Financial Expenses

Financial expenses comprise interest expense on borrowings and lease liabilities. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method, unless they are directly related to the construction of qualifying assets when they are capitalised.

### (c) Unbilled Construction Work in Progress

Construction Work in Progress primarily relates to The Power Company Limited's, Electricity Invercargill Limited's, OtagoNet Joint Venture's and Lakeland Network Limited's Capital Work and includes direct material and labour costs plus an accrual for the proportion of work completed at the end of the period, plus a mark up designed to cover PowerNet Limited's associated indirect overheads. Where charges relate to external customers, profit is recognised on a percentage completion basis.

Mark ups on contracts are recognised progressively over the period of each contract. Foreseeable losses on a contract are recognised immediately. Unbilled construction work in progress is considered a receivable rather than a contract asset under NZ IFRS 15. Impairment is therefore considered in line with the trade receivable loss provision methodology as per note (n)(iii).

### (d) Inventories

Inventories are stated at the lower of cost at weighted average cost price, and net realisable value. Cost in the case of constructed goods includes: direct materials, labour and production overheads. Obsolete items of inventory (if any) have been written off.

### (e) Property, Plant and Equipment

All property, plant and equipment is initially recognised at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

PowerNet Limited recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item if, when that cost is incurred, it is probable that the future economic benefits embodied within the item will flow to PowerNet Limited and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

### (f) Depreciation

Depreciation is charged to the Statement of Comprehensive Income on a combination of straight line and diminishing value bases on all tangible assets with the exception of land, at rates calculated to allocate the assets' fair value, less any residual value, over their useful lives. The primary annual rates used are:

Buildings and Building Fit Out	1.5 - 67.0%	Straight line/Diminishing value
Plant and Equipment	5.0 - 80.4%	Straight line/Diminishing value
Motor Vehicles	5.0 - 48.0%	Straight line/Diminishing value
Office Equipment	5.0 - 80.4%	Straight line/Diminishing value
Computer Hardware	10.0 - 60.0%	Straight line/Diminishing value

### (g) Capital Work in Progress

Capital Work in Progress is stated at cost and is not depreciated. Costs for a specific project are transferred to Property, Plant and Equipment once the project is commissioned and then depreciated.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### (h) Impairment

At each reporting date PowerNet Limited reviews the carrying amounts of its assets (with the exception of inventory and deferred tax assets) and assesses them for indications of impairment. If indications of impairment exist, then the assets' recoverable amounts are estimated in order to determine the extent of the impairment. The recoverable amounts are the higher of fair value (less costs to sell) and value in use.

In assessing value in use, the estimated future pre tax cash flows are discounted to their present value using a pre tax discount rate that reflects the market assessments of the time value of money and the risks specific to the assets involved. If the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down to its recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income.

### (i) Intangible Assets

#### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, and the acquisition date fair value of the identifiable net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (ii) Computer Software

Under NZ IFRS computer software is classified as an intangible asset and is amortised on a straight line or diminishing value basis over its estimated useful life.

#### (iii) Amortisation

Amortisation is charged to the Statement of Comprehensive Income on a straight line or diminishing value basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated amortisation rates for current and comparative periods are as follows:

Software	8.0 - 50.0%	Straight line/Diminishing value
----------	-------------	---------------------------------

### (j) Goods and Services Tax (GST)

All amounts in the financial statements are shown exclusive of GST, with the exception of receivables and payables which are shown inclusive of GST.

### (k) Taxation

Income tax on the profit or loss for the period presented comprises current tax and additional or reversed deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at Balance Sheet date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the Balance Sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxation profit or loss.

Deferred tax is recorded using tax rates enacted or substantially enacted at the Balance Sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### (l) Employee Benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and long service leave when it is probable that they will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by PowerNet Limited in respect of services provided by employees up to balance date.

### (m) Seasonality

PowerNet Limited's revenues and profits are generally evenly distributed throughout the year hence the results are not subject to seasonality.

### (n) Financial Instruments

#### (i) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value.

#### (ii) Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. PowerNet Limited holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. PowerNet Limited applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

During the year, the following gains/(losses) were recognised in profit or loss in other expenses in relation to impaired receivables.

- individual receivables written off directly
- movement in provision for impairment

#### (iii) Trade and Other Payables

Trade and Other Payables are stated at cost.

#### (iv) Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless PowerNet Limited has an unconditional right to defer settlement of the liability at least 12 months after balance date.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 2 Income

	2023 \$'000	2022 \$'000
<b>Turnover</b>		
<b>Agency</b>		
Line Charges	112,428	110,573
Metering	4,604	4,498
	<b>117,032</b>	<b>115,071</b>
<b>Less</b>		
Transmission	26,294	26,607
<b>Net Agency</b>	<b>90,738</b>	<b>88,464</b>
 <b>Revenue from Contracts with Customers</b>		
External Contracting Revenue	3,042	2,715
Maintenance Fees	20,694	18,640
Agency Fees	9,632	9,396
Capital Works Programme	58,964	53,738
Management Fees	167	183
	<b>92,499</b>	<b>84,672</b>
 Over Time	92,499	84,672
At a Point in Time	-	-

### 3 Other Income

	2023 \$'000	2022 \$'000
Sundry Revenue	400	631
Interest Revenue	32	8
	<b>432</b>	<b>639</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

## 4 Expenses

	2023 \$'000	2022 \$'000
<b>Expenses Include:</b>		
Network Costs (excl. Depreciation)	61,730	52,811
Interest Expense	3,595	2,413
Loss on Disposal of Property, Plant and Equipment	-	1
Amortisation of Intangibles	457	435
<b>Auditors' Fees</b>		
Audit of Financial Statements - PwC	95	95
Consultation Fees - PwC	22	9
<i>*consulting fees include fees for a benchmarking study and annual regulatory benchmarking publication</i>		
<b>Depreciation</b>		
Land and Buildings	190	201
Plant and Equipment	1,210	1,281
Motor Vehicles	1,121	1,050
Office Equipment	68	78
Computer Hardware	268	316
Right-of-Use Assets	742	666
<b>Total Depreciation</b>	<b>3,599</b>	<b>3,592</b>
Directors' Fees	353	423
Donations	7	6
Employee Benefit Expenses	16,044	16,758



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 5 Taxation

#### Current Tax

Current tax expense is the expected tax payable on the taxable income for the year.

Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

#### Deferred Tax

Deferred tax expense arises from the origination and reversal of temporary differences.

	2023 \$'000	2022 \$'000
Operating Surplus / (Deficit) Before Income Tax	1,300	3,073
Prima Facie Taxation at 28% made up of:	364	860
Permanent Differences	48	54
Prior Period Adjustments	(71)	3
Tax effects of:		
• Tax benefit from use of group losses	(354)	(134)
<b>Tax on Taxable Income</b>	<b>(13)</b>	<b>783</b>
Current Tax	185	1,070
Prior Period Adjustments in respect of Current Tax	(99)	(58)
Prior Period Adjustments in respect of Deferred Tax	(127)	61
Deferred Tax	28	(290)
<b>Taxation Expense</b>	<b>(13)</b>	<b>783</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 6 Equity

The authorised and issued share capital consists of 4,000,000 ordinary shares which are divided into two groups. Group A comprises 2,000,000 ordinary shares and Group B comprises 2,000,000 ordinary shares.

Group A and Group B shares have the same rights and privileges and are subject to the same restrictions. However, dividends are distributed to Group A or Group B shares in accordance with the equity invested and activity level on the networks owned by each joint venture party.

	2023 \$'000	2022 \$'000
Share Capital	4,000	4,000
<b>Closing Balance</b>	<b>4,000</b>	<b>4,000</b>
<b>Retained Earnings</b>		
Opening Balance	1,616	312
Net Surplus for the Year	1,313	2,290
Dividend Declared / Paid	(1,301)	(986)
<b>Closing Balance</b>	<b>1,628</b>	<b>1,616</b>
<b>Total Equity</b>	<b>5,628</b>	<b>5,616</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 7 Cash and Short-Term Bank Deposits

	2023 \$'000	2022 \$'000
Current Account	262	315
Short-Term Bank Deposits	201	301
<b>Total Cash and Short-Term Bank Deposits</b>	<b>463</b>	<b>616</b>

### 8 Receivables and Prepayments

	2023 \$'000	2022 \$'000
Trade Debtors	858	476
The Power Company Limited	8,454	5,489
Electricity Invercargill Limited	1,706	1,434
OtagoNet Joint Venture	3,187	2,690
Lakeland Network Limited	1,002	1,249
Prepayments and Other Receivables	2,044	1,427
<b>Total Receivables and Prepayments</b>	<b>17,251</b>	<b>12,765</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 9 Inventories

	2023 \$'000	2022 \$'000
Network Spares and Sundry Network Consumables	2,765	3,014

Network Spares includes Smart Meters totalling \$2,087,000 (2022: \$2,445,000).

### 10 Unbilled Construction Work in Progress

	2023 \$'000	2022 \$'000
<i>On behalf of:</i>		
The Power Company Limited	1,681	3,217
Electricity Invercargill Limited	291	460
OtagoNet Joint Venture	400	766
Lakeland Network Limited	118	674
External Customers	517	470
<b>Total Unbilled Construction Work in Progress</b>	<b>3,007</b>	<b>5,587</b>

### 11 Creditors and Accruals

	2023 \$'000	2022 \$'000
Trade Payables	5,463	3,730
Accrued Creditors	1,459	822
Inland Revenue - GST Payable	728	595
Income Received in Advance	-	4
The Power Company Limited	558	334
Electricity Invercargill Limited	134	77
OtagoNet Joint Venture	74	71
<b>Total Creditors and Accruals</b>	<b>8,416</b>	<b>5,633</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 12 Employee Entitlements

	2023 \$'000	2022 \$'000
Opening Balance	4,605	4,051
Additional Accrued	3,489	3,836
Amount Utilised	(3,637)	(3,282)
<b>Total Employee Entitlements</b>	<b>4,457</b>	<b>4,605</b>

Employee entitlements include bonuses, accrued holiday pay, and long service leave where settlement is expected to be less than one year. The item(s) are discounted using PowerNet Limited's weighted average cost of capital.

The Directors' consider that the carrying amount of the employee entitlements approximates their fair value.

### 13 Advances

	2023 \$'000	2022 \$'000
<i>Advances from:</i>		
The Power Company Ltd	25,806	26,443
Electricity Invercargill Ltd	6,813	7,026
<b>Total Advances</b>	<b>32,619</b>	<b>33,469</b>

Interest on the Advances is paid quarterly. The interest rate in respect of the advances is 3% above the 90 day Bank Bill Rate at the end of each month. The advance facility is repayable on demand but with a 13 month notice period.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 14 Leases

	2023 \$'000	2022 \$'000
<b>Right-of-Use Assets Net Book Value</b>		
Properties	15,324	14,633
Equipment	109	145
Others	25	36
	<b>15,458</b>	<b>14,814</b>
<b>Lease Liabilities</b>		
Current	108	58
Non-Current	16,927	15,743
	<b>17,035</b>	<b>15,801</b>

(a) **Amounts recognised in the Statement of Comprehensive Income**

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2023 \$'000	2022 \$'000
<b>Depreciation Charge of Right-of-Use Assets</b>		
Properties	695	614
Equipment	37	41
Others	11	11
	<b>743</b>	<b>666</b>
Interest Expense (included in finance cost)	1,160	1,053
Expense Relating to Short-Term Leases (included in operating expenses)	123	123
Additions to Right-of-Use Assets	-	8,481
Income from sub-leasing right-of-use assets (included in sundry revenue)	135	132

The total cash outflow for leases for the year was \$1,311,957 (31 March 2022: \$1,157,388).

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by PowerNet Limited. These leases consist of commercial leases and lease of office equipment.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 14 Leases (*continued*)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in PowerNet Limited, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If PowerNet Limited is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short term leases of property, equipment and vehicles are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

### 15 Deferred Taxation

	Depreciation	Employee Entitlements	Leases	Other	Total
Balance at 1 April 2021	(824)	1,047	119	119	461
Charged to Income Statement	(36)	155	153	(43)	229
<b>Balance at 31 March 2022</b>	<b>(860)</b>	<b>1,202</b>	<b>272</b>	<b>76</b>	<b>690</b>
Balance at 1 April 2022	(860)	1,202	272	76	690
Charged to Income Statement	(37)	4	161	(29)	99
<b>Balance at 31 March 2023</b>	<b>(897)</b>	<b>1,206</b>	<b>433</b>	<b>47</b>	<b>789</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 16 Property, Plant and Equipment

	Land \$'000	Buildings and Fit-Out \$'000	Plant and Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Computer Hardware \$'000	Total \$'000
<b>Cost</b>							
Balance at 1 April 2021	427	6,068	17,138	1,913	15,233	2,475	43,254
Additions	-	78	858	32	1,125	228	2,321
Disposals	-	-	(153)	-	(440)	(99)	(692)
<b>Balance at 31 March 2022</b>	<b>427</b>	<b>6,146</b>	<b>17,843</b>	<b>1,945</b>	<b>15,918</b>	<b>2,604</b>	<b>44,883</b>
Balance at 1 April 2022	427	6,146	17,843	1,945	15,918	2,604	44,883
Additions	-	35	1,955	21	1,793	321	4,125
Disposals	-	-	(456)	(6)	(905)	(113)	(1,480)
<b>Balance at 31 March 2023</b>	<b>427</b>	<b>6,181</b>	<b>19,342</b>	<b>1,960</b>	<b>16,806</b>	<b>2,812</b>	<b>47,528</b>
<b>Depreciation and Impairment</b>							
Balance at 1 April 2021	-	2,186	10,739	1,220	9,306	1,812	25,263
Depreciation for Period	1	200	1,281	78	1,050	316	2,926
Disposals	-	-	(146)	-	(421)	(96)	(663)
<b>Balance at 31 March 2022</b>	<b>1</b>	<b>2,386</b>	<b>11,874</b>	<b>1,298</b>	<b>9,935</b>	<b>2,032</b>	<b>27,526</b>
Balance at 1 April 2022	1	2,386	11,874	1,298	9,935	2,032	27,526
Depreciation for Period	1	189	1,210	68	1,121	268	2,857
Disposals	-	-	(362)	(5)	(826)	(113)	(1,306)
<b>Balance at 31 March 2023</b>	<b>2</b>	<b>2,575</b>	<b>12,722</b>	<b>1,361</b>	<b>10,230</b>	<b>2,187</b>	<b>29,077</b>
<b>Book Value at 31 March 2022</b>	<b>426</b>	<b>3,760</b>	<b>5,969</b>	<b>647</b>	<b>5,983</b>	<b>572</b>	<b>17,357</b>
<b>Book Value at 31 March 2023</b>	<b>424</b>	<b>3,606</b>	<b>6,622</b>	<b>598</b>	<b>6,576</b>	<b>627</b>	<b>18,453</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 17 Intangible Assets

	Goodwill \$'000	Computer Software \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 April 2022	7,134	6,890	14,024
Additions	-	309	309
Disposals	-	(68)	(68)
<b>Balance at 31 March 2023</b>	<b>7,134</b>	<b>7,131</b>	<b>14,265</b>
<b>Amortisation and Impairment</b>			
Balance at 1 April 2022	-	4,963	4,963
Amortisation for Period	-	457	457
Disposals	-	(68)	68
<b>Balance at 31 March 2023</b>	<b>-</b>	<b>5,352</b>	<b>5,352</b>
<b>Book Value at 31 March 2022</b>	<b>7,134</b>	<b>1,927</b>	<b>9,061</b>
<b>Book Value at 31 March 2023</b>	<b>7,134</b>	<b>1,779</b>	<b>8,913</b>

Goodwill in respect of acquisition is stated at cost. Goodwill is not amortised but tested for impairment annually. Key assumptions in the impairment testing include:

- EBITDA, capital expenditure and depreciation based on the current year business plan
- WACC sourced from Commerce Commission mid point post tax EDB WACC
- No allowance made for growth

The Goodwill above is in respect of the acquisition of Power Services Limited and Otago Power Services Limited.

### 18 Commitments

#### Capital Commitments

Capital Commitments as at 31 March 2023 total \$1,364,000 (2022: \$1,957,000).

### 19 Contingent Liabilities

There are no Contingent Liabilities as at 31 March 2023 (2022: \$nil).



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 20 Transactions with Related Parties

The parties to the PowerNet Limited Joint Venture consist of The Power Company Limited and Electricity Invercargill Limited through their respective subsidiaries Last Tango Limited and Pylon Limited.

Pylon Limited and Last Tango Limited jointly hold a 100% interest in OtagoNet Joint Venture.

PowerNet Limited also has transactions with Roaring Forties Energy Limited Partnership, a limited partnership owned jointly by Last Tango Limited and Pylon Limited.

Lakeland Network Limited has the same ownership as the OtagoNet Joint Venture.

All transactions between PowerNet Limited, its joint venture parties, OtagoNet Joint Venture and Lakeland Network Limited, relate to the normal trading activities of PowerNet Limited.

Material transactions PowerNet Limited has had with the above mentioned related parties during the year, excluding on charges incurred on behalf of related parties, are as follows:

	2023 \$'000	2022 \$'000
<b>Asset Construction, Management Fees, Agency Fees and Directors Fees Supplied To:</b>		
The Power Company Limited	50,022	42,663
Electricity Invercargill Limited	10,013	11,379
OtagoNet Joint Venture	21,031	18,694
Lakeland Network Limited	8,208	9,037
Roaring Forties Energy Limited Partnership	137	153
<b>Receivables and Unbilled WIP Outstanding at Balance Date (GST incl):</b>		
The Power Company Limited	10,151	8,674
Electricity Invercargill Limited	2,009	1,886
OtagoNet Joint Venture	3,533	3,462
Lakeland Network Limited	1,116	1,923
Roaring Forties Energy Limited Partnership	13	15
<b>Miscellaneous Charges Supplied By:</b>		
The Power Company Limited	2,465	1,579
Electricity Invercargill Limited	509	288
OtagoNet Joint Venture	767	745
Lakeland Network Limited	132	159

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 20 Transactions with Related Parties (*continued*)

	2023 \$'000	2022 \$'000
<b>Creditors Outstanding at Balance Date (GST incl):</b>		
The Power Company Limited	558	334
Electricity Invercargill Limited	134	77
OtagoNet Joint Venture	74	71
<b>Advances Supplied By:</b>		
The Power Company Limited	31,213	14,988
Electricity Invercargill Limited	7,438	5,588
<b>Advances Repaid To:</b>		
The Power Company Limited	31,850	17,388
Electricity Invercargill Limited	7,650	6,388

Advance balances owed to related parties at 31 March 2023 are disclosed in Note 13.

#### Other Related Parties

There have been no transactions with Directors with the exception of the following:

PowerNet Limited uses Findex Limited as its tax advisors, of which Duncan Fea is a Principal. Fees for taxation and other advice paid to Findex Limited during the year amounted to \$47,125 (excl GST) (2022: \$10,747 excl GST) of which \$1,725 (2022: \$nil) is owing at balance date.

#### Key Management Personnel

Compensation of the Directors and Executives, being the key management personnel of PowerNet Limited is as follows:

	2023 \$'000	2022 \$'000
Salaries and Short-Term Employee Benefits	3,102	2,855

Executive staff remuneration comprises salary and other short term benefits. PowerNet Limited Executives appointed to the boards of related companies do not receive Directors' fees personally.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 21 Reconciliation of Net Surplus with Net Operating Cash Flows

The following is a reconciliation for PowerNet Limited between Net Surplus After Taxation shown in the Statement of Comprehensive Income and the Net Cash flows from Operating Activities:

	2023 \$'000	2022 \$'000
<b>Net Surplus After Taxation</b>	<b>1,313</b>	<b>2,290</b>
<b>Add / (Less) Non-Cash Items:</b>		
Amortisation	457	435
Depreciation	3,599	3,592
Movement in Deferred Tax	(99)	(229)
Profit on Sale of Plant Property and Equipment	(207)	(151)
	<b>3,750</b>	<b>3,647</b>
<b>Add / (Less) Movements in Working Capital:</b>		
Creditors, Accruals and Employee Entitlements	2,503	(980)
Receivables and Prepayments	(4,486)	3,019
Inventories	249	(1,053)
Construction Work in Progress	2,580	358
GST Payable / (Receivable)	132	(419)
Taxation Payable	(88)	(207)
Provisions	9	(16)
	<b>899</b>	<b>702</b>
<b>Net Cash Flow From Operating Activities</b>	<b>5,962</b>	<b>6,639</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2023

### 22 Financial Instruments

PowerNet Limited has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of PowerNet Limited's risk management framework.

#### Credit Risk

Financial instruments that potentially subject PowerNet Limited to concentrations of credit risk consist principally of cash and short term investments and trade receivables. Cash and short term investments are placed with banks with high credit ratings assigned by international credit rating agencies, or other high credit quality financial institutions.

PowerNet Limited manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. PowerNet Limited does not generally require or hold collateral against credit risk. There is no exposure for PowerNet Limited.

#### Liquidity Risk

Liquidity risk represents PowerNet Limited's ability to meet its contractual obligations.

PowerNet Limited evaluates its liquidity requirements on an ongoing basis. In general PowerNet Limited generates sufficient cash flows from its operating activities to meet its contractual obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect PowerNet Limited's income or the value of its holdings of financial instruments.

PowerNet Limited has interest bearing debt which is subject to interest rate variations in the market.

#### Fair Value

The estimated fair value of PowerNet Limited's financial instruments are represented by the carrying values.

In February 2023, PowerNet Limited entered into a forward exchange contract for US\$596,000, relating to the purchase of the transformer for the McNab Substation upgrade. The contract is due to expire on 25 May 2023 and as at 31 March 2023 an exchange rate movement in USD/NZD had occurred resulting to a \$7,622 loss in fair value movement which was recognised in the statement of financial performance.

#### Capital Management

PowerNet Limited's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

PowerNet Limited is not subject to any externally imposed capital requirements.

### 23 Subsequent Events

There were no events subsequent to balance date.

# AUDITORS' REPORT

For The Year Ended 31 March 2023



PricewaterhouseCoopers  
PwC Centre  
60 Cashel Street  
PO Box 13-244  
Christchurch 8141  
New Zealand  
T: +64 3 374 3000  
F: +64 3 374 3001  
[www.pwc.co.nz](http://www.pwc.co.nz)

## Independent auditor's report

To the shareholders of PowerNet Limited

### Our opinion

In our opinion, the accompanying financial statements of PowerNet Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

### What we have audited

The financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Company in preparation of an annual regulatory benchmarking publication and regulatory advisory services. The provision of these other services and relationships has not impaired our independence as auditor of the Company.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

## AUDITORS' REPORT *continued*

For The Year Ended 31 March 2023

### Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS RDR, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

### Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:



Chartered Accountants      Christchurch  
25 May 2023



