

Company Name	EA Networks
For Year Ended	31 March 2016

Schedule 14 Mandatory Explanatory Notes

1. This schedule requires EDBs to provide explanatory notes to information provided in accordance with clauses 2.3.1, 2.4.21, 2.4.22, and subclauses 2.5.1(1)(f), and 2.5.2(1)(e).
2. This schedule is mandatory—EDBs must provide the explanatory comment specified below, in accordance with clause 2.7.1. Information provided in boxes 1 to 12 of this schedule is part of the audited disclosure information, and so is subject to the assurance requirements specified in section 2.8.
3. Schedule 15 (Voluntary Explanatory Notes to Schedules) provides for EDBs to give additional explanation of disclosed information should they elect to do so.

Return on Investment (Schedule 2)

4. In the box below, comment on return on investment as disclosed in Schedule 2. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 1: Explanatory comment on return on investment

EA Networks operating costs, revenues and capital spend was within 1% of targeted budget. The difference in EA's ROI –comparable to a post-tax WACC of 5.71% compared to mid-point estimate of post-tax WAC of 5.37% reflects factors such as revaluations which is outside of the control of EA networks.

EA Network WACC is in-line with the targeted WACC.

No items have been reclassified in accordance with subclause 2.7.1 (2).

Regulatory Profit (Schedule 3)

5. In the box below, comment on regulatory profit for the disclosure year as disclosed in Schedule 3. This comment must include-
 - 5.1 a description of material items included in other regulated income (other than gains / (losses) on asset disposals), as disclosed in 3(i) of Schedule 3
 - 5.2 information on reclassified items in accordance with subclause 2.7.1(2).

Box 2: Explanatory comment on regulatory profit

Other regulatory income	\$'000
Loss of constraint	228
New connection fee	396
Other income	47
Sale of scrap	95
Total other regulatory income	766

No items have been reclassified items in accordance with subclause 2.7.1(2).

Merger and acquisition expenses (3(iv) of Schedule 3)

6. If the EDB incurred merger and acquisitions expenditure during the disclosure year, provide the following information in the box below-
 - 6.1 information on reclassified items in accordance with subclause 2.7.1(2)
 - 6.2 any other commentary on the benefits of the merger and acquisition expenditure to the EDB.

Box 3: Explanatory comment on merger and acquisition expenditure

No costs have been incurred concerning merger and acquisition expenses.

No items have been reclassified in accordance with subclause 2.7.1(2)

Value of the Regulatory Asset Base (Schedule 4)

7. In the box below, comment on the value of the regulatory asset base (rolled forward) in Schedule 4. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

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

4(i): Regulatory Asset Base Value (Rolled Forward)

All assets commission, decommissioned and depreciated in the year have followed the requirements of the determination.

Items have been reclassified in accordance with subclause 2.7.1(2).

\$10.2 million of disruption substations were incorrectly recorded in prior periods as distribution Switchgear. This error has now been fixed.

Regulatory tax allowance: disclosure of permanent differences (5a(i) of Schedule 5a)

8. In the box below, provide descriptions and workings of the material items recorded in the following asterisked categories of 5a(i) of Schedule 5a-
 - 8.1 Income not included in regulatory profit / (loss) before tax but taxable;
 - 8.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible;
 - 8.3 Income included in regulatory profit / (loss) before tax but not taxable;
 - 8.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax.

Box 5: Regulatory tax allowance: permanent differences

8.1 Income not included in regulatory profit / (loss) before tax but taxable	\$'000
Capital Contributions	188
Total	188

Prior to 2014 EA Networks accounted for capital contributions using the 10 year amortisation method for tax. From the start 2014 capital contributions are offset against the cost of the asset which they are constructed for tax. The \$188k represents amortisation of capital contributions paid prior to the start of 2014 year.

8.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible	\$'000
Account profit on PPE sold	634
Total	634

8.3 Income included in regulatory profit / (loss) before tax but not taxable	\$'000
Total	-

8.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax	\$'000
Tax loss on assets sold	273
Total	273

Regulatory tax allowance: disclosure of temporary differences (5a(vi) of Schedule 5a)

9. In the box below, provide descriptions and workings of material items recorded in the asterisked category 'Tax effect of other temporary differences' in 5a(vi) of Schedule 5a.

Box 6: Tax effect of other temporary differences (current disclosure year)

	<u>2015</u>	<u>2016</u>
Employee entitlements	232	280.95
Provision for ACC	9	8
	<hr/>	<hr/>
	242	289
Less 2015		<hr/>
Movement		48

Related party transactions: disclosure of related party transactions (Schedule 5b)

10. In the box below, provide descriptions of related party transactions beyond those disclosed on Schedule 5b including identification and descriptions as to the nature of directly attributable costs disclosed under subclause 2.3.6(1)(b).

Box 7: Related party transactions

EA Networks is a co-operative company who has regular related party transactions with its shareholders which may include the purchase of and sale of goods and services, all of which are carried out at market value.

Work undertaken by EA Networks contracting is carried out at cost with no profit being created as the result of the transaction.

EA Networks own a fibre network, part of which is rented by the power network on the same commercial terms and conditions as it offers third parties.

The fibre rental of the fibre business is valued using a director's certificate.

Cost allocation (Schedule 5d)

11. In the box below, comment on cost allocation as disclosed in Schedule 5d. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 8: Cost allocation

EA Networks has employed "ACAM" allocation method.

No items have been reclassified in accordance with subclause 2.7.1(2)

Asset allocation (Schedule 5e)

12. In the box below, comment on asset allocation as disclosed in Schedule 5e. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 9: Commentary on asset allocation

EA Networks has employed “ACAM” allocation method.

No items have been reclassified in accordance with subclause 2.7.1(2)

Capital Expenditure for the Disclosure Year (Schedule 6a)

13. In the box below, comment on expenditure on assets for the disclosure year, as disclosed in Schedule 6a. This comment must include-

13.1 a description of the materiality threshold applied to identify material projects and programmes described in Schedule 6a;

13.2 information on reclassified items in accordance with subclause 2.7.1(2),

Box 10: Explanation of capital expenditure for the disclosure year

Section 13.1 Materiality Threshold

A two-step principle based test is used to define materiality associated with schedule 6a.

- 1) The risk associated with the project in question: projects with notable risk are detailed in the schedule.
- 2) Projects which require notable financial investment are detailed individually: Currently notable financial investment is defined as above \$100k.

Section 13.2 Reclassified items

No items have been reclassified in accordance with subclause 2.7.1.(2).

Operational Expenditure for the Disclosure Year (Schedule 6b)

14. In the box below, comment on operational expenditure for the disclosure year, as disclosed in Schedule 6b. This comment must include-

14.1 Commentary on assets replaced or renewed with asset replacement and renewal operational expenditure, as reported in 6b(i) of Schedule 6b;

14.2 Information on reclassified items in accordance with subclause 2.7.1(2);

14.3 Commentary on any material atypical expenditure included in operational expenditure disclosed in Schedule 6b, a including the value of the expenditure the purpose of the expenditure, and the operational expenditure categories the expenditure relates to.

Box 11: Explanation of operational expenditure for the disclosure year

14.1 Commentary on assets replaced or renewed with asset replacement and renewal operational expenditure, as reported in 6b(i) of Schedule 6b

Expenditure is made up as follows

Asset replacement and renewal	\$000's
Line removal	147
Underground	29
Overhead	161
Transformers	362
Substitution	195
Switchgear	21
Other	17
	931

Total asset replacement and renewal costs for the year was \$931k compared to target of \$772K, the difference mainly represents work deferred from the prior year.

14.2 Information on reclassified items in accordance with subclause 2.7.1(2);

No items have been reclassified in accordance with subclause 2.7.1.(2).

14.3 Commentary on any material atypical expenditure included in operational expenditure disclosed in Schedule 6b, a including the value of the expenditure the purpose of the expenditure, and the operational expenditure categories the expenditure relates to.

There was not atypical expenditure in operational expenditure for the year.

Variance between forecast and actual expenditure (Schedule 7)

15. In the box below, comment on variance in actual to forecast expenditure for the disclosure year, as reported in Schedule 7. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 12: Explanatory comment on variance in actual to forecast expenditure**7(i): Revenue**

Actual Line charges revenue was within 3% of target.

7(ii): Expenditure on Assets**Customer Connection**

	Actual \$'000s	AMP 2016 \$'000s	Variance \$'000s	Variance %
Customer connection -Urban	619	446	(173)	(38.80%)
Customer connection -Rural LV	159	759	600	79.09%
Customer connection -Rural Transformer	2,115	2,012	(103)	(5.12%)
Customer connection -Other	215	1,052	837	79.58%
	3,107	4,268	1,161	27.21%

Customer connection expenditure for the AMP was set using historical trends and other information which EA Networks was aware of. A number of factors beyond EA Networks control affect the actual number of and amount spent on new connections. For example milk prices.

System Growth

	Actual \$'000s	AMP 2016 \$'000s	Variance \$'000s	Variance %
Zone Substations	724	1,106	382	34.55%
Distribution and Lines	412	651	239	36.76%
Distribution and LV Cables	574	96	(478)	(498.83%)
Distribution Substations and Transformers	2,844	1,265	(1,579)	(124.81%)
Distribution Switchgear	283	128	(156)	(122.22%)
Other Network Assets	5	0	(5)	0.00%
	4,841	3,245	(1,596)	(49.19%)

Sub transmission

The credit represents gear returned to the store from a prior years project.

Zone Substations

The variance reflects a delay with civil contractor starting work on the Crew transformer pad. As a result of this delay most of the value of the project has been carried forward into the 2016-2017 financial year.

Distribution and Lines

Reflects 22Kv conversion projects being re-classed as quality of supply project in the year.

Distribution and LV Cables

Reflects an unplanned carryover, being the Methven 11Kv security project, from a prior year which was caused by delay in other project.

Distribution Substations and Transformers

Reflects a greater number of new transformers being used than was planned. The AMP assumed that the 22kV conversion would be carried out using reconditioned transformers, which were already recorded in the RAB.

Distribution switchgear

Reflects the balance of Ring Main Units being installed which were carried out from the 2014 AMP.

Asset replacement renewal				
	Actual \$'000s	AMP 2016 \$'000s	Variance \$'000s	Variance %
Sub-transmission	552	1,069	517	48.39%
Zone Substations	536	529	(7)	(1.28%)
Distribution and Lines	860	1,828	967	52.94%
Distribution and LV Cables	2,887 [▼]	3,520	633	17.98%
Distribution Substations and Transformers	3,390	1,043	(2,347)	(224.89%)
Distribution Switchgear	143	161	18	11.21%
Other network Assets	0	0	0	0.00%
	8,368 [▼]	8,150	(218)	(2.67%)

The budget for Asset replacement and renewal has been managed at its total level, rather than an item by item base. Overall there is 2.67% variance to the AMP.

Asset relocation

The SH1 & Walnut Ave intersection project has been delayed by NZTA, who requested the project, due to a funding issue.

Quality of supply				
Project name	Actual \$'000s	AMP \$'000s	Variance \$'000s	Variance %
2011-2012 AMP Project				
Ashburton Hospital Replace Lucy Switch	35			
2013-2014 AMP Project				
Methven 10MVA 11/22kV Transformer	402			
	402			
2015-2016 AMP Project				
TIN New 66kV Zone Substation - Civil Works	593	410	183	44%
TIN New 66kV Zone Substation - Structural/Electrical		482	(482)	(100%)
PDS ZONE Substation - T1/T2 Firewall		64	(64)	(100%)
RMU Control Cubicles - Manufacture	32	108	(76)	(70%)
Rakaia 22 Security. Railway Tec East to Mackie Street	208	212	(5)	(2%)
RMUs For Existing Overhead Networks	685	701	(16)	(2%)
SCADA Control and Status of Pole-top Devices		59	(59)	(100%)
SF6 Load Break Switch - Control Cubicle	32	35	(2)	(7%)
Advanced Feeder Automation		43	(43)	(100%)
Data Radio Links Deployment	18	33	(15)	(46%)
Rawles Crossing Road - Timaru Track, New 22kV OH Line, Section 3	169	128	41	32%
Protection Relay Upgrade - Stage 2 (transformer)	136	143	(7)	(5%)
all other projects	164	167	(4)	(2%)
	2,037	2,586	(545)	(21%)
Totals	2,474	2,586	112	4%

Ashburton Hospital replace Lucy switch.

This project was delayed to an easement issue.

Methven 10MVA 11/22kV Transformer.

A number of technical issues encountered in the 2013-2014 year lead to a lengthy delay before this project could be undertaken.

TIN New 66kV Zone Substation Civil Works.

The cost of the civil work was understated when the 2015-2016 AMP was created.

TIN New 66kV Zone Substation Structure/electrical work.

Civil contractor's availability to undertake the civil work has delayed the structure/electrical side of this project until the 2016-2016 AMP year.

PDS zone substation –T1T2 firewall.

The design of the firewall has been held up by an external contractor.

RMU control cubicles manufacture.

A lower number of units than planned have been created in the year. Internal resources which were going to be used to create the units were redeployed on higher priority projects.

SF6 Load Break switch - control units.

The budget was overstated by \$2k.

Advanced feed automation.

A delay in agreement on licencing and payment terms to an external contractor has delayed this project to the 2016-2017 year.

Data Radio Links Deployment.

This project was scheduled to occur late in 2015-2016 financial year as a result of unforeseen constraints on staff time, the project was unable to be completed within the financial year.

Rawles Crossing Road – Timaru Track, New 22kV OH Line, section 3.

Unforeseen technical issues associated with construction of the line increased construction costs.

Overall total spend on quality of supply is in-line with the AMP

Other Reliability, Safety and Environment					
Project name	Actual \$'000s	AMP \$'000s	Variance \$'000s	Variance %	
2014-2015 AMP Projects					
Install RMU	140				
2015-2016 AMP Projects					
AMP - Substation Security Access Control	95	74	(21)	(29%)	
Investigation of capacitive effects of network assets	10	11	1	8%	
Unscheduled Other Reliability, Safety and Environment	50	0	(50)	(100%)	
	156	85	(71)	(84%)	
	296	85	(211)	(249%)	

Install RMU

This project was partly held over from the 2014-2015 year due to availability of resources to complete the project.

AMP – Substation Security access control.

Due to health and safety requirements the scope of this project was explained.

Unscheduled other reliability, safety and environment.

Small jobs which needed to be carried out throughout the year.

Expenditure on non-network assets

	Actual	AMP 2016	Variance	Variance
A-typical	280	1,256	977	77.73%
Typical	385	303	(83)	(27.34%)
	665	1,559	894	57.34%

A-Typical

	Actual	AMP 2016	Variance	Variance
	\$'000s	\$'000s	\$'000s	%
<i>AMP 2015-2016</i>				
Office Building Alterations/Improvements	6	66	(61)	(91.48%)
Primary Test system for MV and HV Equipment	74	76	(3)	(3.41%)
Mobility/LTE Trail	1	11	(10)	(92.39%)
Methven (MVN) Control Room	0	108	(108)	(99.84%)
Infrared Thermal Camera	45	42	4	8.48%
Survey GPS Unit	0	25	(25)	(98.54%)
Electrical GIS Implementation	0	153	(153)	(100.00%)
Electricity Billing Engine and CRM System	1	290	(290)	(99.73%)
Business Intelligence System	99	102	(3)	(2.55%)
Document Management	0	76	(76)	(100.00%)
Enterprise Resource Planning Systems	0	306	(306)	(100.00%)
Subtotal	226	1256	(1,030)	(81.99%)
<i>Unplanned capital investment</i>				
Unplanned software investment	45		45	(100.00%)
<i>Prior years AMP</i>				
Solar research	9	0	9	(100.00%)
Total investment	280	1,256	(977)	(77.73%)

Office building alterations/improvements.

Funds from this budget have been redirected to other budgets.

Mobility/LTE Trial.

This project has been delayed due to the enterprise resource planning system project being delayed.

Methven (MVN) control room.

Internal engineering staff resources were not available to complete this project due to other

projects taken longer than planned.

Survey GPS Unit.

The delay in the electrical GIS implementation project has pushed this project out to 2016-2017 AMP year.

Electrical GIS implementation.

A number of external and internal factors have resulted in this project being behind schedule. It is now expected that this project will be completed in the 2016-2017 year.

Electrical billing engine and CRM.

Scoping for the billing engine was undertaken in the year and tenders sought. Due to tender prices being considerably higher than expected it was decided to re-scope the project, which has resulted in the project being deferred to 2016-2017 AMP year.

Document Management.

This project has been deferred to 2016-2017 AMP year, due to resourcing constraints.

Enterprise resource planning system

This project has been deferred to 2016-2017 AMP year, due to resourcing constraints.

Unplanned software investment

Reflects additional software which needed to be purchased in the year, to which was not budgeted for.

Typical					
	Actual	AMP 2016	Variance	Variance	
	\$'000s	\$'000s	\$'000s	%	
Non-Network - Routine Plant	137	20	(116)	-571%	
Non-Network - Routine Info Tec	125	140	14	10%	
Replacement Vehicles	124	143	19	13%	
	385	303	(83)	-27%	

Routine plant.

A PC amount was allowed for in the AMP. Plant items are purchased as and when required.

Routine info Tec.

Reflects lower than planned IT investment

Replacement Vehicles.

The replacement cost of vehicles was lower than expected in the year.

7(iii): Operational Expenditure

Service interruptions and emergencies

A provision is made each year for the expected cost of service interruptions and emergencies based on historical data. The actual cost of interruptions and emergencies are affected by a number of events such as extreme weather events and different types of summers and winters, which EA Networks is unable to plan for. As a result it's expected that there will be some variance from budget each year.

Routine and corrective maintenance and inspection

The increased spend reflects maintenance which had been deferred from the prior year, due to resourcing constraints.

Asset replacement and renewal

Mainly reflects unplanned post fault maintenance work as the result of significant storm events.

Business Support

	Discloser \$'000's	AMP \$'000's	Variance \$'000's	%
Other services	3,567	3,462	(105)	(3%)
Recruitment	0	100	100	100%
Professional services	192	443	251	57%
	3,759	4,005	246	6%

The AMP allowed a provision for recruitment which was not used.

Professional service cost represent consultancy and legal costs which are incurred as needed. The allowance for which in the AMP is based on historical expenditure. In the current year the use of professional service costs was lower than expected.

No items were reclassified in accordance with subclause 2.7.1(2).

Information relating to revenues and quantities for the disclosure year

16. In the box below provide-

- 16.1 a comparison of the target revenue disclosed before the start of the disclosure year, in accordance with clause 2.4.1 and subclause 2.4.3(3) to total billed line charge revenue for the disclosure year, as disclosed in Schedule 8; and
- 16.2 explanatory comment on reasons for any material differences between target revenue and total billed line charge revenue.

Box 13: Explanatory comment relating to revenue for the disclosure year

EA Networks have little control over the weather and the number of new connections both of which affect consumers and revenue. When the revenue forecast was prepared all known factors were incorporated into the model, however a number of risk elements still existed which were outside of the control of EA Networks. These risk elements such as weather conditions and the number of new connections are the main reason for the difference between actual revenue and budgeted revenue.

Network Reliability for the Disclosure Year (Schedule 10)

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

Box 14: Commentary on network reliability for the disclosure year

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

Insurance cover

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

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

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

Box 15: Explanation of insurance cover

Question 18.1 level of insurance

Where it is economically sensible to insure assets EA Networks has insurance in place. In practise this means that most items outside of substation fencing will not be insured.

Question 18.2 levels of reserves

Rather than holding insurance reserves EA Networks has identified the highest risk associated with the network is adverse weather conditions. In order to minimise this risk EA is undergrounding its networks when it is economically sensible to do so.

Amendments to previously disclosed information

19. In the box below, provide information about amendments to previously disclosed information disclosed in accordance with clause 2.12.1 in the last 7 years, including:
- 19.1 a description of each error; and
 - 19.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

Box 16: Disclosure of amendment to previously disclosed information

4(ii): Unallocated Regulatory Asset Base

2014 closing unallocated RAB was incorrectly stated. The corrected unallocated regulatory asset base for 2014 is shown below.

2014 4(ii): Unallocated Regulatory Asset Base	Adjusted				Disclosed			
	Unallocated RAB * (\$000)	(\$000)	RAB (\$000)	(\$000)	Unallocated RAB * (\$000)	(\$000)	RAB (\$000)	(\$000)
Total opening RAB value		207,829		207,829		207,829		207,829
<i>less</i> Total depreciation		6,958		6,958		6,958		6,958
<i>plus</i> Total revaluations		3,159		3,159		3,159		3,159
<i>plus</i> Assets commissioned (other than below)	6,569		6,569		6,569		6,569	
Assets acquired from a regulated supplier	-		-		-		-	
Assets acquired from a related party	12,567		12,567		13,204		12,567	
Assets commissioned		19,136		19,136		19,773		19,136
<i>less</i> Asset disposals (other than below)	1,614		1,614		1,614		1,614	
Asset disposals to a regulated supplier	-		-		-		-	
Asset disposals to a related party	-		-		-		-	
Asset disposals		1,614		1,614		1,614		1,614
<i>plus</i> Lost and found assets adjustment		-		-		-		-
<i>plus</i> Adjustment resulting from asset allocation				(1,031)				(1,031)
Total closing RAB value		221,552		221,552		222,189		221,552

The unallocated RAB assets acquired from a related party had an incorrect amount entered into the final disclosure schedule.

Company Name	EA Networks
For Year Ended	31 March 2016

Schedule 14a Mandatory Explanatory Notes on Forecast Information

1. This Schedule requires EDBs to provide explanatory notes to reports prepared in accordance with clause 2.6.6.
2. This Schedule is mandatory—EDBs must provide the explanatory comment specified below, in accordance with clause 2.7.2. This information is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section 2.8.

Commentary on difference between nominal and constant price capital expenditure forecasts (Schedule 11a)

3. In the box below, comment on the difference between nominal and constant price capital expenditure for the current disclosure year and 10 year planning period, as disclosed in Schedule 11a.

Box 1: Commentary on difference between nominal and constant price capital expenditure forecasts
The difference is 0.0%. Costs have been prepared using 2016-17 values for labour, plant and materials. Years after 2016-2017 have been escalated by the 2017 CPI forecast by New Zealand Government Treasury published 16th December 2015 (<http://www.treasury.govt.nz/budget/forecasts/hyefu2015>)

Commentary on difference between nominal and constant price operational expenditure forecasts (Schedule 11b)

4. In the box below, comment on the difference between nominal and constant price operational expenditure for the current disclosure year and 10 year planning period, as disclosed in Schedule 11b.

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

The difference is 0.0%. Costs have been prepared using 2016-17 values for labour, plant and materials. Years after 2016-2017 have been escalated by the 2017 CPI forecast by New Zealand Government Treasury published 16th December 2015

(<http://www.treasury.govt.nz/budget/forecasts/hyefu2015>)

EA Networks considers the answers given for box 1 and 2. Represents the prudent source of information available to EA Networks for the purpose of estimating future costs.

It is the opinion of EA Networks that the Treasury's CPI forecast is a reasonable indicator of future cost as it incorporates a range of factors that could influence the future costs of expenditure on the electricity network.

Even with additional cost escalation data, EA Networks current future cost modelling is not sufficiently granular to take full advantage of the additional detail.

The treasury forecast extends to 2020. Beyond 2020, EA Networks have used the 2020 CPI value (2.2%) until 2026.

Company Name	EA Networks
For Year Ended	31 March 2016

Schedule 15 Voluntary Explanatory Notes

1. This schedule enables EDBs to provide, should they wish to-
 - 1.1 additional explanatory comment to reports prepared in accordance with clauses 2.3.1, 2.4.21, 2.4.22, 2.5.1 and 2.5.2;
 - 1.2 information on any substantial changes to information disclosed in relation to a prior disclosure year, as a result of final wash-ups.
2. Information in this schedule is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section 2.8.
3. Provide additional explanatory comment in the box below.

Box 1: Voluntary explanatory comment on disclosed information

Clauses 2.3.1

SCHEDULE 9e: REPORT ON NETWORK DEMAND

Electricity volumes carried

Loss for the year have increased significantly from the prior year (6.5% to 10.9%). This variation is caused by in retailer estimations at both the start and end of financial year of Irrigation which has a season that over laps the financial year

SCHEDULE 10: REPORT ON NETWORK RELIABILITY

Normalised SAIFI and SAIDI

An additional line has been added to row 38, which is the value assessed under 'quality path requirements for 2016'. Under the disclosure rules normalised SAIFI and SAIDI is required to be calculated differently from the quality path requirements. The normalised SAIFI and SAIDI in row 37 should therefore not be assessed against the quality path limits shown in row 40. The additional line included in row 38 show the result of quality path calculation for SAIFI and SAIDI.

Cause

Defective equipment

Management is reviewing the causal reason for the failures. In response we have been taking a proactive stand, which includes thermal imaging of segments of the network to attend to potential failures before they occur.

Substantial fault currents also cause failure; fault currents flowing through the power system are intermittent and unpredictable. Where possible Networks Team on an ongoing basis are working towards reducing the frequency of these faults - by removing trees, putting possum guards ups, undergrounding and etc.

EA Networks is actively working towards reducing unplanned outage.

Clauses 2.4.21 Pricing information

EA Networks has paid a posted discount to qualifying irrigators how have taken steps to due harmonics on the networks.

Clauses 2.4.22 All consumers connected to EA Networks are charged from the same tariff card.

Clauses 2.5.1 no additional disclosure.

Clauses 2.5.2 no additional disclosure.

