

Company Name	Waipa Networks Limited
For Year Ended	31 March 2013

Schedule 14 Mandatory Explanatory Notes

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012)

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 2.5.2.
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 clause 2.7.1(2).

Box 1: Explanatory comment on return on investment

The return on investment (schedule 2) has been completed in accordance with the Commerce Commission's requirements. There were no reclassified items during the year.

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 regulatory line income' other than gains and losses on asset sales, as disclosed in 3(i) of Schedule 3
 - 5.2 information on reclassified items in accordance with clause 2.7.1(2).

Box 2: Explanatory comment on regulatory profit

The regulatory profit (schedule 3) has been completed in accordance with the Commerce Commission's requirements. There are no material items that need to be disclosed. There were no reclassified items during the year.

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

6. If the EDB incurred merger and acquisitions expenditure during the disclosure year, provide the following information in the box below-

- 6.1 information on reclassified items in accordance with clause 2.7.1(2)
- 6.2 any other commentary on the benefits of the merger and acquisition expenditure to the EDB.

Box 3: Explanatory comment on merger and acquisition expenditure
There was no merger and acquisition expenses during the year.

Value of the Regulatory Asset Base (Schedule 4)

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

Box 4: Explanatory comment on the value of the regulatory asset based (rolled forward)
The value of the regulatory asset base (schedule 4) has been completed in accordance with the Commerce Commission's requirements. There were no reclassified items during the year.

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

8. In the box below, provide descriptions and workings of the following items, as recorded in the asterisked categories in 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
There were no permanent differences in schedule 5a

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

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

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

Tax effect of movements in wages provisions (annual leave etc.) and Creditors (Audit fees etc.)

Wages Provisions	140
Creditors	138
Total Temporary Timing Differences 31 March 2012	278
Wages Provisions	152
Creditors	97
Total Temporary Timing Differences 31 March 2013	249
Movement in Timing Differences	29
Tax effect of timing difference	8

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 clause 2.3.6(1)(b).

Box 7: Related party transactions

Full information is disclosed in Schedule 5b.

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 clause 2.7.1(2).

Box 8: Cost allocation

Operating costs are allocated to the Electricity Distribution business using the Avoidable Cost Allocation Methodology (ACAM). There were no reclassified items during the year.

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 clause 2.7.1(2).

Box 9: Commentary on asset allocation

Assets are allocated to the Electricity Distribution business using the Avoidable Cost Allocation Methodology (ACAM). There were no reclassified items during the year.

Capital Expenditure for the Disclosure Year (Schedule 6a)

13. In the box below, comment on capital expenditure 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 clause 2.7.1(2),

Box 10: Explanation of capital expenditure for the disclosure year

Projects are not normally individually identified for capital expenditure of less than 50k (with the exception of relay additions driven by customer connections).

All 2012/13 reliability, safety and environment projects have been reclassified in accordance with Electricity Distribution Information Disclosure 2012 categories of quality of supply, legislative and regulatory, other reliability, safety and environment.

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 operating expenditure, as reported in 6b(i) of Schedule 6b;
 - 14.2 information on reclassified items in accordance with clause 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

Whilst overall network opex was on budget operational expenditure on asset replacement and renewal was less than anticipated because it was not needed. This under expenditure was offset by greater than budgeted expenditure on routine and corrective maintenance and vegetation management.

All 2012/13 operational expenditure has been reclassified in accordance with Electricity Distribution Information Disclosure Determination 2012 categories of service interruptions and emergencies, vegetation management, routine and corrective maintenance and inspection, asset replacement and renewal, system operations and network support ,and, business support.

There was no material atypical expenditure included in operational expenditure during 2012/13.

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 clause 2.7.1(2).

Box 12: Explanatory comment on variance in actual to forecast expenditure

Expenditure on Assets

Consumer connections - on budget

System growth – System voltage remained within regulatory limits. Therefore, expenditure on installing voltage regulators during 2012/13 was not required.

Asset replacement and renewal – Expenditure was 11% (105k) lower than anticipated offset by a 68% (148k) higher than budgeted operational expenditure on asset replacements and renewals.

Asset relocations – Expenditure was 95% (652k) less than anticipated due to delay in commencing NZTA Waikato Expressway and Transpower’s replacement Cambridge GXP switchboard.

Quality of supply and other reliability, safety and environment - Overall expenditure on quality of supply and other reliability, safety and environment projects was 20% (768k) under budget due to slower than anticipated progress being made on consenting and designing the new Te Awamutu to Hangatiki 110kV line (960k expenditure compared to forecast 1450k), and, deferral of splitting Tamahere and Kaipaki feeders because of the delay in building Transpower’s new Cambridge switchboard (no expenditure compare to forecast (234k).

Operational Expenditure

Network Opex – On budget

Routine and corrective maintenance and inspections expenditure was 19% (154k) lower than anticipated because it was not required.

Asset replacement and renewal expenditure was 68% (148k) higher than budgeted offset operational expenditure on asset replacements and renewals being 11% (105k) lower than anticipated.

Subcomponents of Expenditure on Assets

Overhead to underground conversion – Fewer overhead areas were identified during the year that met Waipa Networks’ criteria for undergrounding resulting in 46% (237k) less expenditure than budgeted.

Information relating to revenue 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 clauses 2.4.1 and 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

Target revenue for 2013 was \$21,681K as disclosed in Schedule 7 (Comparison of Forecasts to Actual Expenditure). The total billed line charge revenue for 2013 was \$21,626K.

The billed was less than target by \$55K.

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

AMP 2012 reliability performance targets set for 2012/13 were 172 SAIDI minutes and 2.46 SAIFI.

The normalised network reliability performance indices during 2012/13 were 152.1 SAIDI minutes and 1.50 SAIFI both of which were within targets sets.

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

Waipa Networks does not insure any network distribution asset.

Waipa Network does not retain, manage or invest any reserves for the purposes of self insurance.

Company Name	Waipa Networks Limited
For Year Ended	31 March 2013

Schedule 14a Mandatory Explanatory Notes on Forecast Information

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012)

1. This Schedule provides for EDBs to provide explanatory notes to reports prepared in accordance with clause 2.6.5.
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 disclosure year, as disclosed in Schedule 11a.

Box 1: Commentary on difference between nominal and constant price capital expenditure forecasts
Waipa Networks nominal price for capital expenditure forecast was equal to the constant price in the disclosure year 2012/13. That is, the nominal price was not adjusted for inflation.

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 disclosure year, as disclosed in Schedule 11b.

Box 2: Commentary on difference between nominal and constant price operational expenditure forecasts
Waipa Networks nominal price for operational expenditure forecast was equal to the constant price in the disclosure year 2012/13. That is, the nominal price was not adjusted for inflation.

Company Name Waipa Networks Limited
 For Year Ended 31 March 2013

Schedule 14b Mandatory Explanatory Notes on Transitional Financial Information

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012)

1. This Schedule provides for EDBs to provide explanatory notes to the transitional financial information disclosed in accordance with clause 2.12.1.
2. This Schedule is mandatory—EDBs must provide the explanatory comment specified below, in accordance with clause 2.12.1. This information is part of the audited disclosure information, and so is subject to the assurance requirements specified in section 2.8.
3. In the box below provide explanatory comment on the tax effect of other temporary differences for the years ending 31 March 2010, 31 March 2011 and 31 March 2012 (as reported in Schedule 5h(vii)).

Box 1: Commentary on tax effect of other temporary differences (years ended 31 March 2010, 31 March 2011, and 31 March 2012)

Tax effect of movements in wages provisions, creditors etc. No material tax effect during the years 31 March 2010 (14K), 31 March 2011(-8K) and 31 March 2012 (2K).

4. To the extent that any change in regulatory profit and ROI reported for 2013 (compared to that reported for 2012) is attributable to the change in treatment of related party transactions, provide an explanation of the change in the box below.

Box 2: Change in regulatory profit and ROI due to change in treatment of related party transactions

There has been no change in the treatment of related party transaction that has effected the regulatory profit and ROI reported for 2013.

5. In the box below, comment on asset allocation as disclosed in Schedule 5e. This comment must include information on reclassified items in accordance with clause 2.7.1(2) for disclosure years 2011 and 2012.

Box 3: Commentary on asset allocation

Assets are allocated to the Electricity Distribution business using the Avoidable Cost Allocation Methodology (ACAM). There were no reclassified items during the years 2011 and 2012.

Company Name	Waipa Networks Limited
For Year Ended	31 March 2013

Schedule 15 Voluntary Explanatory Notes

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012)

1. This Schedule enable EDBs to provide, should they wish to-
 - 1.1 additional explanatory comment to reports prepared in accordance with clauses 2.3.1, 2.4.21, 2.4.22, 2.5.1, 2.5.2, and 2.6.5;
 - 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

[Insert text below]