

Schedule 14a: Mandatory Explanatory Notes (ID-only regulated provider)

Company name: Enable Networks Limited

For disclosure year ended: 30 June 2022

In this Schedule, clause references are to clauses in the body of the Fibre Information Disclosure Determination 2021.

1. This Schedule requires each **ID-only regulated provider** to provide explanatory notes to information provided in accordance with clauses 2.4.2, 2.6.1, 2.6.2, and 2.6.3.
2. This Schedule is mandatory: each **ID-only regulated provider** must provide the explanatory comments specified below, in accordance with clause 2.6.1.
3. Schedule 15 (Voluntary Explanatory Notes to Schedules) provides for **ID-only regulated providers** to give additional explanation of disclosed information if they wish.

Return on Investment (Schedule 1)

4. In the box below, comment on **ROI** as disclosed in Schedule 1. This comment must include information on reclassified items in accordance with clause 2.6.3.

Box 1: Explanatory comment on return on investment

ROI uses an Internal Rate of Return (**IRR**) based on estimated cashflows and timing throughout the disclosure year and net movement in the RAB.

There were no reclassified items during the disclosure period 2022.

9.58% vanilla WACC (9.26% post-tax WACC) versus the Commerce Commission cost of capital determination of 5.86% (5.54% post-tax WACC) on 1 February 2022.

Key driver is the indexation (revaluation) of the RAB at actual CPI of 3.48% for the six months to 30 June 2022.

Regulatory Profit (Schedule 2)

5. In the box below, comment on regulatory profit for the **disclosure year** as disclosed in Schedule 2. 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 2(i) of Schedule 2; and
 - 5.2 information on reclassified items in accordance with clause 2.6.3.

Box 2: Explanatory comment on regulatory profit

There were no reclassified items during disclosure period 2022.

Regulatory profit for the six months ended 30 June 2023 was \$28.2m:

- Total FFLAS revenue of \$44.9m consists of:
 - Operating revenue - \$44.8m, 97% of the Enable Comparative Contracts Disclosure for 2022; and
 - Other regulated income – revenue from network services (faults and maintenance cost recovery) of \$0.1m.
- Operating expenditure (including pass-through costs) was \$10.6m
- Depreciation of \$20.8m
- Revaluations of \$20.4m with a CPI for the period 3.48%
- Term credit spread differential allowance \$0.7m
- Regulatory tax allowance of \$5.0m

Merger and acquisition expenses (2(iii) of Schedule 2)

6. If the regulated provider 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 2.6.3; and
 - 6.2 any other commentary on the benefits of the **merger and acquisition expenditure** to the **ID-only regulated provider**.

Box 3: Explanatory comment on merger and acquisition expenditure

Enable had no merger and acquisition expenditure for disclosure period 2022.

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 2.6.3.
8. Describe any alternative method of depreciation adopted by **the ID-only regulated provider**, and the reason(s) for adopting alternative method.
9. Describe the methodology used for the allocation of **works under construction**.

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

Regulatory Asset Base (RAB)

The closing ID RAB as at 30 June 2022 was \$606.6m. This shows an increase of \$18.4m from the opening RAB of \$588.2m, due to:

- Revaluations (indexation) of + \$20.4m (based on actual CPI of 3.48%).
- Commissioned assets of + \$18.8m.
- Depreciation of - \$20.8m.

Reclassified items

There were no reclassified items during disclosure period 2022.

Depreciation methodology

Enable is using an alternative depreciation methodology for the Financial Loss Asset (**FLA**), as per the approach used by Chorus and Tuatahi First Fibre.

Enable is using a -13% tilted annuity for the calculation of FLA depreciation to reflect the risk of asset stranding. This is based on Enable's current assessment of the risks faced by Enable, that is therefore subject to ongoing analysis and change.

Works under construction methodology

Works under construction are extracted from Enable's financial systems at a general ledger or project id level.

The cost of network and non-network assets are recognised only when it is probable that the future benefits or service potential associated with the asset will flow to Enable, otherwise the cost is retained as works under construction.

Regulatory tax allowance: disclosure of permanent differences (3a(i) of Schedule 3)

10. In the box below, provide descriptions and workings of the material permanent differences included in the following items, as recorded in the asterisked categories in paragraph 3a(i) of Schedule 3:
- 10.1 **income not included in regulatory profit / (loss) before tax but taxable;**
 - 10.2 **expenditure or loss in regulatory profit / (loss) before tax but not deductible;**
 - 10.3 **income included in regulatory profit / (loss) before tax but not taxable;** and
 - 10.4 **expenditure or loss deductible but not in regulatory profit / (loss) before tax.**

Box 5: Regulatory tax allowance: permanent differences

Expenditure included but not deductible

- Includes adjusted entertainment expenses.

Regulatory tax allowance: disclosure of temporary differences (3a(i) of Schedule 3)

11. In the box below, provide descriptions and workings of the material temporary differences included in the following items, as recorded in the asterisked categories in 3a(i) of Schedule 3:

11.1 **income not included in regulatory profit / (loss) before tax but taxable;**

11.2 **expenditure or loss in regulatory profit / (loss) before tax but not deductible;**

11.3 **income included in regulatory profit / (loss) before tax but not taxable;** and

11.4 **expenditure or loss deductible but not in regulatory profit / (loss) before tax.**

Box 6: Temporary differences

Income not included but taxable

- \$1.0m of capital contributions which are assessable for tax purposes but are offset against Capital Expenditure in Schedule 6(ii).

Expenditure included but not deductible

- \$0.1m movement in provisions (employee, doubtful debts etc), recognised through profit and loss, depending on their nature, may be deductible or non-deductible for tax purposes.
- \$0.2m deduction for lease payments (NZ IFRS 16 Leases) as leases are treated as operating leases for tax purposes, with lease payments claimed as a tax deduction.

Cost allocation (Schedule 5a)

12. In the box below, comment on cost allocation as disclosed in Schedule 5a. This comment must include information on reclassified items in accordance with clause 2.6.3.

Box 7: Cost allocation

As per Enable's S221 Notice submission for the Initial FLA determination, no cost allocations are required as Enable is exclusively involved in the provision of FFLAS.

13. In the box below, comment on asset allocation as disclosed in Schedule 4a. This comment must include information on reclassified items in accordance with clause 2.6.3.

Box 8: Commentary on asset allocation

As per Enable's S221 Notice submission for the Initial FLA determination, no asset allocations are required as Enable is exclusively involved in the provision of FFLAS.

Operating Expenditure (Schedule 5)

14. In the boxes below, comment on **operational expenditure** for the **disclosure year**, as disclosed in Schedule 5. This comment must include-
- 14.1 commentary on assets replaced or renewed with **network opex**, as reported in 5(i) of Schedule 5;
 - 14.2 information on reclassified items in accordance with clause 2.6.3;
 - 14.3 commentary on any material atypical expenditure included in **operational expenditure** disclosed in Schedule 5, including the value and the purpose of the expenditure, and the categories the **operational expenditure** relates to;
 - 14.4 innovations made with **research and development** that have deferred the need for asset replacement;
 - 14.5 details of any insurance cover for the assets used to provide **FFLAS**, including-
 - 14.5.1 the **ID-only regulated provider's** approaches and practices in regard to the insurance of assets used to provide **FFLAS**, including the level of insurance; and
 - 14.5.2 in respect of any self-insurance, the level of reserves, details of how reserves are managed and invested, and details of any reinsurance.

Box 9: Explanation of operational expenditure for the disclosure year

Enable capitalises costs in accordance with Generally Accepted Accounting Practice (**GAAP**) and the relevant Inland Revenue requirements. There is no material network Opex for replacing or renewing assets.

There were no reclassified items during disclosure period 2022.

There is no material atypical expenditure reported as part of operational expenditure. Opex.

There are no innovations made with research and development, that have deferred asset replacements.

Box 10: Explanation of insurance cover

Enable maintains a comprehensive insurance programme to minimise business risk.

The insurance programme includes:

- Material damage and business interruption cover (**MDBI**), for Enable’s office and contents, and above ground assets (central office buildings and contents) back to replacement value, and consequential loss of revenue due to an insurable event;
- Other non-liability policies (including cover for motor vehicles, marine cargo, and corporate travel); and
- A full suite of liability policies (including Cyber, Technology Liability, Directors & Officers Liability, Fidelity, Statutory Liability, and Employers Liability).

Enable does not insure its underground assets.

The programme is assessed annually, including updated valuations (where appropriate), supported by Enable’s insurance broker, Aon.

Enable does not have a captive insurance programme.

Capital Expenditure (Schedule 6)

15. In the box below, comment on **capital expenditure** for the **disclosure year**, as disclosed in Schedule 6. This comment must include-

- 15.1 information on reclassified items in accordance with clause 2.6.3;
- 15.2 information on how the **capital expenditure** has tracked to plan;
- 15.3 descriptions of strategies to correct course in areas where delivery is not going to plan;
- 15.4 information on the link between the **capital expenditure**, **operating costs**, and **fibre network** quality performance (availability and **port utilisation**); and
- 15.5 a description of innovations made with **capital expenditure** in the **disclosure year** that have deferred the need for asset replacement.

Box 11: Explanation of capital expenditure for the disclosure year

There were no reclassified items during disclosure period 2022.

Availability

Enable actively monitors and assesses the effects on overall availability resulting from both scheduled and unscheduled downtime, the remediation of which typically results in increased operating costs. When availability monitoring detects heightened fault rates or deterioration in a network element or a segment of the network, consideration is given to capital expenditure investments for the purpose of renewal or replacement.

No such occurrences were reported during the disclosure period 2022.

Performance

Enable also actively monitors port utilisation and network traffic to proactively mitigate potential Layer 2 network capacity constraints. The mitigation typically involves increasing capacity resulting in additional capital costs or moving services to less utilised network links or elements if possible, resulting in additional operating costs.

Innovations with capital expenditure

In January 2022 Enable consolidated the number of service companies down to one, entering into a new Collaborative Services Agreement with one contractor providing the full suite of build, installation and maintenance activity. The agreement has an on-going focus on delivering to our needs and looking for efficiency gains to enhance field service work and to ensure our end-user customers are connected as expected.

Variance between forecast and actual expenditure (Schedule 7)

16. 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 2.6.3.

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

N/A

17. In the boxes below provide-
- 17.1 an explanatory comment on the reason(s) for any material differences between **target operating revenue** and total actual operating revenue; and
 - 17.2 an explanatory comment on the reason(s) for any material differences between target connection volumes and actual connection volumes.

Box 13: Explanatory comment relating to variances between target and actual operating revenue for the disclosure year

Operating revenue was \$0.3m unfavourable to the Comparative Contracts Disclosure driven by:

- COVID-19 level 4 and level 3 lockdown during August / September 2021 limiting activity in the field that was never recovered from and the Omicron variant severely impacting on the field workforce in March to May 2022.

Box 14: Explanatory comment relating to variances between target and actual connection volumes for the disclosure year

The lower connection volumes are a result of COVID-19 and Omicron outbreaks as per explanation in **Box 13**.

Regulated FFLAS and regulated FFLAS provided with an incentive (Schedule 25)

18. In the boxes below, comment on any changes from month to month or between **disclosure years** in the list of **regulated FFLAS**, as reported in Schedule 25(i) and (iii) and **regulated FFLAS** provided with an **incentive**, as reported in Schedule 25(ii). These comments must include:
- 18.1 any changes to the names and/or **service descriptions**;
 - 18.2 any changes to the aggregation at which services are reported – eg, a service being reported separately that was previously grouped with other services or a service being moved to a different group;
 - 18.3 any new services that are being reported for the first time, including whether they are grouped with other services when completing Schedule 25; and
 - 18.4 any services that have been discontinued and are no longer reported.
19. For each of the above changes:
- 19.1 detail the month and calendar year in which the relevant change took place; and
 - 19.2 include sufficient details to enable names and/or **service descriptions** and aggregations to be tracked from month to month. This could take the form of attaching a change schedule showing the current names and/or **service descriptions** and aggregations mapped to previous names and/or **service descriptions** and aggregations, including all the information required under paragraph 18.

Box 15: Explanatory comment relating to the list of regulated FFLAS

Enable upgraded and renamed several Bitstream 2a on 31 March 2022 as per the Informer sent in December 2021 and summarised in the table below:

Product Name	New Product Name
BS2a 30/10 CIR 2.5/2.5	BS2a 50/20 CIR 2.5/2.5
BS2a 100/20 CIR 2.5/2.5	BS2a 300/100 CIR 2.5/2.5
BS2a 200/100 CIR 2.5/2.5	BS2a 300/100 CIR 2.5/2.5 C
DP 100/20 CIR 2.5/2.5	BS2a 300/100 CIR 2.5/2.5 D
BS2a 200/20 CIR 2.5/2.5	BS2a 300/100 CIR 2.5/2.5 B
BS2a 30/10 CIR 5/5	BS2a 50/50 CIR 5/5 BUS
N BS2a 30/10 CIR 5/5	N BS2a 300/300 CIR 5/5 BUS
BS2a 100/100 CIR 2.5/2.5	BS2a 300/300 CIR 5/5 BUS
N BS2a 100/100 CIR 2.5/2.5	N BS2a 300/300 CIR 5/5 BUS
BS2a 200/20 CIR 2.5/2.5	BS2a 300/300 CIR 5/5 BUS B
BS2a 200/200 CIR 2.5/2.5	BS2a 1G/500 CIR 5/5 BUS B
BS2a 1G/500 CIR 2.5/2.5 BUS	BS2a 1G/500 CIR 5/5 BUS
N BS2a 1G/500 CIR 2.5/2.5 BUS	N BS2a 1G/500 CIR 5/5 BUS
N BS2a 200/200 CIR 2.5/2.5	N BS2a 1G/500 CIR 5/5 BUS B

There was no change to the aggregation at which services are reported.

Discontinued services which are no longer reported as of 31 March 2022:

Service Description
TP 30/10 CIR 2.5/2.5
TP 30/10 CIR 10/2.5
TP 100/20 CIR 2.5/2.5
TP 100/50 CIR 10/2.5
TP 200/20 CIR 2.5/2.5

TP – Triple Play | DP – Double Play

Box 16: Explanatory comment relating to the list of regulated FFLAS provided with an incentive

Enable continues to support the education of students in need via the Ministry of Education (**MOE**) support offer (50% subsidy).

Dec-22 "Residential Targeted Migration Offer"

- Participating RSPs will be provided with a list of qualifying residential addresses. The qualifying residential addresses are addresses where it has been identified that additional end user incentives are required to help prompt these particular customers to move across to Fibre Broadband services. Subject to the parameters below, for every \$1 that the participating RSP provides in value to the end user, Enable will either double or triple that figure up to a maximum one-off contribution of \$1,500 (GST incl.) per connection. The offer will be available for all qualifying orders placed across three months starting 01 February 2022 and ending 30 April 2022.

20. In respect of **disclosure year 2023** only, comment in the box below on progress achieved, work planned, and outstanding steps to be taken to enable the **ID-only regulated provider** to complete and **publicly disclose** Schedule 25(iii) to an individual-**central office** level of geographical aggregation by **disclosure year 2024**.

Box 17: Disclosure on progress towards reporting of service availability on an individual-central office level

Not applicable – all services are available at all Central Offices. If this were to change, then yes, we could complete and publicly disclose Schedule 25(iii) to an individual-central office level of geographical aggregation by disclosure year 2024.

Amendments to previously disclosed information

21. In the box below, provide information about amendments to previously disclosed information disclosed in accordance with clause 2.11.1 in the last 7 years, including:

21.1 a description of each error; and

Box 18: Disclosure of amendment to previously disclosed information

As the 2022 disclosure period is Enable's first disclosure, there are no amendments.

21.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.11.1 is **publicly disclosed**

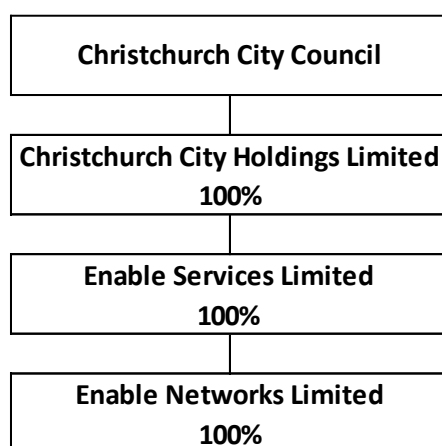
Appendix A:

In accordance with clause 2.5.4, we outline below information regarding related party transactions.

Schedule 9

Related party transactions

Summarised below are related party procurement transactions entered into by Enable during disclosure period 2022.



Enable Networks Limited is a wholly owned subsidiary of Enable Services Limited. Enable Services Limited is a wholly owned subsidiary of Christchurch City Holdings Limited (CCHL).

CCHL is owned 100% by the Christchurch City Council (CCC).

CCC have subsidiary companies and other related parties with which Enable also transacts business.

These material related parties include:

- Christchurch International Airport Limited (CCHL 75%)
- Lyttelton Port Company Limited (CCHL 100%)
- Orion (CCHL 100%)
- City Care Limited (CCHL 100%)
- EcoCentral Limited (CCHL 100%)
- Development Christchurch Limited (CCHL 100%)
- Venues Otautahi Ltd (CCC 100%)
- Civic Building Ltd (CCC 100%)
- ChristchurchNZ Holdings Ltd (CCC 100%)
- Transwaste Canterbury Ltd (CCC 38.9%)
- CMUA Project Delivery Limited known as Te Kaha Project Delivery Limited (CCC 100%)

Related Party	Principal Activity of Related Party	DY23 Expenditure with Related Party
Christchurch City Council	Christchurch City Council is a Territorial Authority.	<ul style="list-style-type: none"> • Other related party transactions of \$1,051k are Rates for COs and underground infrastructure assets. • Installation expenditure \$23k • Network operations \$1k
Christchurch City Holdings Limited	CCHL is the wholly owned commercial arm of CCC.	<ul style="list-style-type: none"> • Corporate opex \$14k
City Care	<p>The group's activities are:</p> <ul style="list-style-type: none"> • maintenance of amenity assets including water and wastewater, parks and trees • facilities management • construction of vertical and horizontal assets • provision of asset management services 	<ul style="list-style-type: none"> • Network sustain & enhance \$60k
Orion Limited	Operates the electricity distribution network in Christchurch and Central Canterbury.	<ul style="list-style-type: none"> • Network sustain & enhance \$9k
Connectics (wholly owned subsidiary of Orion Limited)	Delivering electrical infrastructure services	<ul style="list-style-type: none"> • Expenditure on non-network assets \$10k
Venues Otautahi Limited	Venue Hire & Event Management	<ul style="list-style-type: none"> • Corporate opex \$11k

Schedule 15: Voluntary Explanatory Notes

Company name: Enable Networks Limited

For disclosure year ended: 30 June 2022

In this Schedule, clause references are to clauses in the body of the Fibre Information Disclosure Determination 2021.

1. Under clause 2.6.5, this Schedule enables **ID-regulated providers** to provide, should they wish to,—
 - 1.1 additional explanatory comment to the reports required under clauses 2.3.1, 2.3.2, 2.3.4, 2.3.5, 2.4.2, 2.4.3, 2.4.5, and 2.4.6 (as applicable); and
 - 1.2 information on any substantial changes to information disclosed in relation to a prior **disclosure year**, as a result of **wash-ups amounts**.
2. Provide additional explanatory comment in the box below.

Box 1: Voluntary explanatory comment on disclosed information

Cells marked with n/a or N/A in the schedules mean the information is not applicable, not available or is not required.

Information marked “ECI” in the schedules is Enable Confidential Information.

Schedule 3

- The Regulatory Tax Asset base aligns to the Tax Fixed Asset Register, which includes lease assets and liabilities.

Schedule 4

- Weighted average expected total life – is determined by the Accounting Policy of the particular asset class.
- Weighted average remaining asset life – is the remaining asset life of all assets by register.
- As per the FLA submission, we are using a regulatory asset register (via an excel workbook) to produce the RAB. We have ten asset classes within the Fixed Asset Registers (**FAR**) which is in line with the FAR maintained in Business Central.
- Other network assets include leased fibre assets (as per *NZ IFRS 16 Leases*).

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

Schedule 6 – Report on Capital Expenditure

- As noted in Schedule 14b, in relation to CAPEX, we run our reporting at the level of detail required for level 1 or 2 categorisation.
- Level 1 categorisations and assumptions include:
 - Extending the network – includes all Greenfields (New property developments) and the creation of new addresses within the existing footprint and extensions to extend coverage.
 - Installations – includes all provisioning CAPEX.
 - Network capacity – includes all Layer 2 CAPEX.
 - Network sustain & enhance - includes all Layer 1 CAPEX and all relevant jobs within Brownfields, not associated with Extending the Network.
 - Network & customer IT – Software developments for Layer 2.
 - Non-network IT – includes all computer hardware and software spend, plus all other non-network spend.

Schedule 7

- The totals between Schedule 7 and all applicable Schedule 25 files reconcile, with the exception of movements in monthly provisions / accruals (which are mainly linked to accounting for incentives, and are immaterial in the context of total revenue).

Schedule 9

- Other related party transactions represent rates paid to the Christchurch City Council (CCC).

Schedule 10

- Note: our Geographic Information System (**GIS**) does not contain complete data in relation to Fibre Service Leads (provisioning / inside boundary duct and fibre). As per historical precedent, we note the caveat that it is excluded in its entirety for any ID reporting.
- The volumes disclosed as Network Spares represent the safety stock levels for the item, the stock on hand should always exceed this volume, and is captured as part inventory.

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

Schedule 25 (i)

- Revenue and connection data has been extracted from Enable’s financial billing system and monthly reconciliation files. Services have been included where they generated revenue during the disclosure month, based on all connections at the close of the prior month as we bill in advance.
- Pricing (including connection fees) is left blank when there is either no price or the item has no revenue or new connections for the month. *Note: there are timing differences between connection fees and reported connections for the month.*
- Where ARPU calculations were generating an “Error” or “#DIV/0!” in the schedule we have been amended the formula to denote a “Blank Field” instead.
- Connection charges are one-off charges that apply when a new customer connects to a FFLAS or other service. Connection charges are not applicable to all products as reflected in the schedule. The calculated Connection ARPU is not accurate in all situations due to timing variances, terminations and activations within the closing volume for the month, and where a reduction in connection volumes occurs (month-on-month).
- Please refer to our website for a copy of the latest UFB Price List ([Enable Networks Limited – UFB Services Agreement](#)).
- Historical versions of the price list are available on request.

Schedule 25 (ii)

- Incentives have been included on a cash basis where they have been paid to an RSP within the disclosure month. Incentives are paid in the month(s) following the service becoming active, where the order was placed during the offer eligibility period. Information is taken directly from our billing system.
- Clawback periods for disconnected or downgraded connections apply for 12 months following their activation under the offer. Accordingly, any offers which have expired will only show clawback amounts from RSPs, where applicable.
- On the pricing disclosure schedule an ‘active incentive’ has been treated as active where payment has been made or clawback received in relation to the incentive or clawback, respectively, in the disclosure month.

Schedule 25 (iii)

- In relation to Hyperfibre services, it is important to note that there are some additional geographic restrictions on the service availability within candidate areas noted as a ‘Yes’ (these restrictions are noted within our RSP portal and address database).