

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

Company name: Northpower Fibre Limited

For disclosure year ended: 31 March 2023

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
There are no reclassified items during disclosure year 2023.

12.42% versus vanilla WACC of 6.30%. Key drivers are indexation of the RAB revaluation at actual CPI 6.65% and nil regulatory tax payments due to regulatory tax losses utilised.

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 are no reclassified items during disclosure year 2023.

Other regulated income of \$191k relates to mainly faults work on charged to customers.

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

Northpower Fibre had no merger and acquisition expenditure for disclosure year 2023.

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)

- The RAB roll-forward in Schedule 4 is determined in accordance with the IM requirements.
- There are no reclassified items during disclosure year 2023.
- No alternative method of depreciation was adopted during disclosure year 2023.
- Allocated works under construction is 100% of unallocated works under construction as Northpower Fibre is solely set up to provide FFLAS.

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

\$3k expenditure or loss in regulatory profit before tax but not deductible relates to non-deductible entertainment expenditure.

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

\$36k expenditure or loss in regulatory profit before tax but not tax deductible relates to the movement in the provisions for bonus accrual, holiday pay accrual and doubtful debt provision.

\$190k expenditure or loss deductible but not in regulatory profit before tax relates to deduction for lease payments.

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

No allocation applied as Northpower Fibre is solely set up to provide FFLAS.

There are no reclassified items during disclosure year 2023.

Asset allocation (Schedule 4a)

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

No allocation applied as Northpower Fibre is solely set up to provide FFLAS.

There are no reclassified items during disclosure year 2023.

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

There is no material network opex for replacing or renewing assets as they are captured as capital expenditure.

There are no reclassified items during disclosure year 2023.

There is no material atypical expenditure included in operational expenditure.

There is no research and development expenditure incurred.

Box 10: Explanation of insurance cover

Significant assets located in one place (e.g. POI and large central offices) are insured under a comprehensive replacement insurance policy. Assets that are spread over a large area (e.g. service lines, fibre cables and small cabinets) are uninsured.

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 are no reclassified items during disclosure year 2023.

Overall total capital expenditure is on track to plan with higher volumes in installation work but lower spend in layer 2 projects. These layer 2 projects are being deferred to FY24. Priority plan has been set for these projects to ensure critical projects affecting the resiliency and reliability of our network are prioritised and delivered.

In DY22, new systems were developed (capital expenditure) to automate the reporting and monitoring of availability and port utilisation. During DY23, we continued to maintain and enhance this new reporting system (operating costs). Investment in network resiliency, capacity and reliability are capital expenditure to minimise the instances of breaching performance targets. Faults restoration and maintenance of the network is operating expenditure.

Innovations in capital expenditure involved the purchase and delivery of core switch upgrade equipment. The implementation of this upgrade will take place in FY24 and will hugely improve the resiliency of our network with its active-active configuration and set up our network well for the next 10 years with its increased capacity.

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

There is no material variance in actual to forecast operating expenditure (refer to box 11 for comment on capital expenditure). Overall, the actual operating expenditure is slightly lower than the forecast.

There are no reclassified items during disclosure year 2023.

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

There is no material difference between target and actual operating revenue.

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

There is no material difference between target and actual connection volumes.

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

There is no change to the names and/or service descriptions.

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

The following new services were ordered and reported for the first time during disclosure year 2023 and they are not grouped with other services when completing Schedule 25:

- 'MoE Equity Product Offer (BS2A 300M/100M)' was first ordered in July 2022.
- 'CO Co-location Power AC-13A' for which revenue was first reported in March 2023.

There are no services that have been discontinued and are no longer reported.

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

No incentive was offered during disclosure year 2023.

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

Northpower Fibre currently reports Schedule 25(iii) to an individual-central office level of geographical aggregation.

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

Box 18: Disclosure of amendment to previously disclosed information

No amendments to previously disclosed information.

Schedule 14b: Mandatory Explanatory Notes on Forecast Information

Company name: Northpower Fibre Limited

For disclosure year ended: 31 March 2023

In this Schedule, clause references are to the Fibre Information Disclosure Determination 2021.

- 1. This Schedule requires each **ID-regulated provider** to provide explanatory notes on reports prepared in accordance with clause 2.6.4.
- 2. This Schedule is mandatory: each **ID-regulated provider** must provide the explanatory comment specified below, in accordance with clause 2.6.4.

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 applicable planning period, as disclosed in Schedule 11a.

Box 1: Commentary on difference between nominal and constant price capital expenditure forecasts
Report on forecast capital expenditure is in Schedule 11 of ID-only regulated provider information templates.

DY2023 is the base year, therefore, there is no difference between nominal and constant prices.

The following forecast CPI is applied to the nominal price to derive the constant price:

CY+1	CY+2	CY+3
2.90%	2.40%	2.30%

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 applicable planning period, as disclosed in Schedule 11b.

Box 2: Commentary on difference between nominal and constant price operational expenditure forecasts
Report on forecast operating expenditure is in Schedule 11a of ID-only regulated provider information templates.

DY2023 is the base year, therefore, there is no difference between nominal and constant prices.

The following forecast CPI is applied to the nominal price to derive the constant price:

CY+1	CY+2	CY+3
2.90%	2.40%	2.30%

5. In the boxes below provide information on the link between the forecast expenditure in Schedule 11a and—

5.1. forecast **operational expenditure** in Schedule 11b, and;

5.2. network quality performance (availability and **port utilisation**).

Box 3a: Commentary on link between the forecast expenditure in Schedule 11a and forecast operational expenditure in Schedule 11b

Growth in network size (capital expenditure) drives the increase in operational expenditure to continue to serve and maintain the network.

Box 3b: Commentary on link between the forecast expenditure in Schedule 11a and network quality performance

Continuous investment into the network (both growth and replacement) will ensure the resiliency and reliability of the network and achieve high network quality performance.

6. In the box below, provide information on the extent to which forecast expenditure is in respect of innovations that will improve efficiencies within the **fibre network**.

Box 4: Commentary on the extent to which forecast expenditure is in respect of innovations that will improve efficiencies within the network

Investment in technology refresh will increase capacity and reduce power consumption on our OLTs (optical line terminals).

Investment in aggregation switch upgrade with an active-active configuration will hugely improve the resiliency of the network, increase capacity and throughput.

Refresh of existing ticketing system will improve our connection order management and system security, and thereby improve our assurance capability.

7. In the boxes below, provide information on the forecasting methodology used for each of **disclosure years** 2022 to 2024, and the progress in developing capability to do 5-year forecasting for, —

7.1 in the case of each **ID-only regulated provider**, —

(a) the Report on Forecast Capital Expenditure set out in Schedule 11;

(b) the Report on Forecast Operating Expenditure set out in Schedule 11a;

(c) the Report on Forecast Capacity and Utilisation set out in Schedule 12;
and

(d) the Report on Forecast Network Demand set out in Schedule 12a;

7.2 in the case of **Chorus**,—

(a) the Report on Forecast Capacity and Utilisation set out in Schedule 12;
and

(b) the Report on Forecast Network Demand set out in Schedule 12a.

Box 5a: Methodology used and commentary on progress in developing 5-year forecasting capability for capex and opex

The forecast information aligns with our internal 10-year forecast conducted within Northpower Group. We currently have the 5-year forecasting capability.

The forecasting methodology involves:

- Assessing customer demand and completing connection and network growth forecast.
- Understanding the life cycle of our assets and completing replacement forecast.
- These above will then drive operational expenditure forecast to be able to support the growth and maintain the quality performance of the network.

Box 5b: Methodology used and commentary on progress in developing 5-year forecasting capability for capacity and utilisation

Capacity and utilisation are driven by the demand forecast in Schedule 12a.

We currently have the 5-year forecasting capability as this is driven by our internal 10-year forecast.

Box 5c: Methodology used and commentary on progress in developing 5-year forecasting capability for demand

Demand forecast is part of the methodology adopted to produce capex and opex forecast mentioned in box 5a. This, in details, involves assessing the penetration percentage and product mix movement considering historical performance, industry reports and propensity model research conducted.

We currently have the 5-year forecasting capability as this is driven by our internal 10-year forecast.

8. In the boxes below, each **ID-only regulated provider** must provide information for each of **disclosure years** 2022 to 2024 on **ID-only regulated provider's** progress in developing capability to report historical expenditure and forecast expenditure at level **2 category** for each of the following reports:
 - 8.1 the Report on Operating Expenditure set out in Schedule 5;
 - 8.2 the Report on Cost Allocations set out in Schedule 5a;
 - 8.3 the Report on Capital Expenditure set out in Schedule 6;
 - 8.4 the Report on Comparison of Forecast to Actual Expenditure set out in Schedule 7; and
 - 8.5 the Report on Related Party Transactions set out in Schedule 9.

Box 6: Commentary on progress in developing level 2 category reporting of historical and forecast expenditure

Operating Expenditures

At the start of FY24, a mapping was completed between Northpower Fibre internal accounting system category and the ID level 2 category. Northpower Fibre currently has the capability to report at level 2 category for Operating Expenditures.

Cost Allocations

This is not applicable as Northpower Fibre is solely set up to provide FFLAS.

Capital Expenditures

New subsidiary codes, aligned with the ID level 2 category, expect to be created in Northpower Fibre internal accounting system in FY24. This will provide the capability to report Capital Expenditure at level 2 category.

The capabilities developed for opex and capex will also enable us to report at level 2 category for Schedule 7 and 9.

Schedule 15: Voluntary Explanatory Notes

Company name: Northpower Fibre Limited

For disclosure year ended: 31 March 2023

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

Schedule 10: ID FFLAS asset register

The volumes of assets that Northpower Fibre has license to occupy and IRU agreements are also included in this schedule. The assets (right-of-use assets) that have IRU agreements are leased backhaul cables which are treated as part of the RAB. The license fees are treated as opex, rather than being part of the RAB. This include, for example, poles which are rented from Northpower Ltd and Chorus Ltd that Northpower Fibre has siting agreements with.

Layer 1 network spares are part of the total inventory held by Northpower Fibre's contractor (Northpower Ltd Fibre Division). The volumes of spares are based on the safety stock level set for each type of spares.

Asset conditions are assessed using asset age profile and expected life as a proxy. All layer 1 assets are well within their expected useful life hence we do not expect any material replacements in the next 5 years, which is also supported by our network performance statistics. We will continue to refine our asset condition assessment methodology in future years.

Schedule 20 (iii): Report on Quality - Availability

Unplanned downtime is triggered by reported faults.

Unplanned downtime includes customer faults and network faults, and is obtained by taking number of customers impacted and multiplying it with the duration of downtime.

Notification of outages are sent for all planned outages.

Northpower Fibre does not send out notifications for unplanned outages as majority of these are raised by the retail service providers who can check the status of the outage (faults) via the portal.

Schedule 20 (iv): Report on Quality – Performance

Schedule 20(iv) requires disclosure of port utilisation, measured over a five-minute interval. The purpose of this measurement is to measure how fully utilised the network ports are across the fibre network in order to allow

interested persons to determine how regulated providers are managing network capacity. Northpower Fibre's system configuration does not allow port utilisation to be measured at a five-minute interval and instead measures at a 7.2 minute interval; the port utilisation reported schedule 20(iv) is based on this.

A port exceeding threshold is only counted once in any month. If that same port exceeds the threshold again during the month in any number of five-minute intervals it still only counts as once. Northpower Fibre considers that the 7.2-minute interval would still effectively report where our network capacity is near fully or fully utilised. Moving to a five-minute interval of measurement will require further investment in our monitoring, storage and reporting systems, which will be assessed and implemented as a priority to enable compliance with the Information Disclosure requirement.

Schedule 25 (i): Report on Pricing

Number of connections is based on the quantity of each service ordered.

For add-on services (for example power supply for co-location rack space and CIR/EIR upgrade), their number of connections have been left blank otherwise the total number of connections would be overstated. As a result, the calculated cells under ARPU Connection charge and Monthly charge have returned a value of '#Value!' and '#DIV/0!' respectively due to the blank cells under number of connections.

Connection charges are the one-off connection fees associated with provisioning the services.

Other charges include one-off charges (excluding connection fees) and one-off credits.