



**Statement of Corporate Intent
2024-25**

Purpose of this section of the SCI

In accordance with clause 17.13 of the company's constitution, the Statement of Corporate Intent (SCI) communicates to the Shareholders Committee and other interested parties the medium and long-term objectives of EA Networks and how Directors will address the objectives within the 12-month period ended 31 March 2025.

Constitution requirements of the SCI

The company constitution requires the Board to prepare a Statement of Corporate Intent (SCI) and deliver it to the Shareholders Committee, normally, within 60 working days of the end of the financial year. The Shareholders' Committee is required to review the SCI, discuss the performance of the Company with the Directors of the Company against the SCI and communicate the performance of the company to the Shareholders. Directors approve the SCI after discussion with the Shareholders Committee.

Clause 2 of the constitution requires the SCI to incorporate the following: -

- a) The objectives of the Company.
- b) The nature and scope of the activities to be undertaken.
- c) The ratio of consolidated Shareholders' funds to total assets, and definitions of those terms.
- d) The accounting policies.
- e) The performance targets and other measures by which the performance of the Company may be judged in relation to its objectives.
- f) An estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed by way of rebates, dividends, or other distributions to the Shareholders.
- g) The procedures to be followed before the Company or any subsidiary of the Company subscribes for, purchases, or otherwise acquires shares in any company or other organisation.
- h) The Board's estimate of the commercial value of the Shareholders' investment in the Company; and the manner in which, and the times at which, the value is to be reassessed.
- i) Such other matters as are agreed between the Shareholders Committee and the Board.

Requirement A: Long term objectives of EA Networks

Our Purpose:

Delivering critical infrastructure and energy solutions to empower community prosperity

Our Mission :

To be recognised for excellence as the provider of reliable, affordable, high-quality network infrastructure and energy solutions that deliver economic growth and wellbeing to our community

Additional detail in terms of how we view our long-term objectives is found in the Background Information that supports the SCI.

Requirement B: Current nature and scope of EA commercial activities

All commercial activities of the Company are governed by section 2.9 of the Company's constitution, which requires the company to carry on:

- The provision of a network and ancillary services for the supply of electricity
- Supplying service to Shareholders
- Supply or providing the Shareholders with goods or services, or both
- Entering into any other commercial transactions with the Shareholders
- Supplying or providing goods or services or both, that are ancillary to, or that otherwise facilitate, the carrying on by the Company of a co-operative activity.

Additionally, the company is permitted to carry out any other co-operative activity permitted under the Co-operative Companies Act. In the following 12 months the Directors of the Company may, if they consider it appropriate maximise any opportunities whilst operating within the key areas of the Company's electricity distribution, fibre and contracting operations.

Requirement C: The ratio of Shareholders' funds plus any subordinated shareholder debt to total assets.

Our corporate structure limits our ability to raise funds from Shareholders. Any investment in new business opportunities and the networks needs are to be funded from external borrowing and retained earnings. To allow this investment to occur we plan to maintain a prudent level of debt as a percentage of total assets with a planning horizon target of less than or equal to 40% debt as a percentage of total assets, compared to the regulator's standard debt assumption of 58% of total assets.

Measure of success – Shareholders' funds as a percentage of total assets greater than or equal to 60% within our 10-year asset management planning horizon.

Shareholders' funds above 42% of total assets (meaning debt is less than 58%)

Requirement D: The accounting policies

The accounting policies relating to the SCI year, comply with NZ IFRS and are detailed in our annual report, downloadable from www.eanetworks.co.nz

Requirement E: The performance targets and other measures by which the performance of the company may be judged

Accountabilities detailed in the SCI are sourced from these key areas:

- Safety
- Compliance with legalisation
- Electricity reliability network
- External financial reporting
- Financial performance measures
- Electricity tariff to domestic consumers
- Consumer Discount
- Quality of service

The SCI accountabilities have been reviewed and agreed between Staff, Management, Directors, the Shareholders Committee and Shareholders.

Health and Safety

Broadly speaking operating a safe and secure network can be broken down into two headings: public safety and employee and contractor safety.

Public Safety

Our aim is to have a Public Safety Management System (PSMS) that complies with the provisions of 'NZS 7901 Electricity and Gas Industries - Safety Management Systems for Public Safety' regarded as the gold standard in PSMS. To ensure compliance with NZ 7901 our PSMS is audited annually and reviewed against best practice.

Measurement of success

Positive assurance resulting from the NZS7901 external auditor.

Worker safety

EA Networks Directors have a responsibility to exercise due diligence to ensure that the organisation complies with its Health and Safety duties and obligations. Our measure of success is aimed at giving the Shareholders' Committee assurance that Directors are discharging their responsibilities.

Measurement of success

The Board will maintain a Health and Safety Charter. The charter will set out its role in leading Health and Safety and the role of individual Directors.

The Board will maintain a Health and Safety sub-committee that operate under the Health and Safety Charter.

Directors will set targets for Management that provide clear direction, focus and clarity of expectation. The targets will be measurable, challenging and realistic including lead and lag indicators, with a greater weighting on lead indicators that focus on prevention.

Compliance with legalisation

EA has legislation, regulation, standards and district plans with which it must comply. Non-compliance with legalisation may result in a simple infringement notice, e.g. a speeding ticket, or significant reputational damage. We take all reasonable endeavours to meet our obligations.

As previously reported, our annual price-setting compliance statement issued in March 2020 was non-compliant. An amended annual price-setting compliance statement was prepared as the result of an instruction from the Commerce Commission. Our investigation found that human error was the reason that the pass-through allowable balance and the IRIS incentive allowance were missed out of the forecast allowable revenue. Customers affected by these errors were refunded in full.

We have taken this matter very seriously and put in place new internal and external (independent) checking and review procedures to mitigate the risk of this occurring again.

Measurement of success

No material compliance and legislation issue have occurred in the year.

Reliability of the electricity network

We aim to supply a reliable network to meet the needs of our consumers. Due to the nature of any electricity distribution network, there will be outages. The number of times and length of outages will vary between urban and rural customers.

Measurement of success

To meet the performance targets, set out in the Asset Management Plan

External financial reporting

We prepare and present to Shareholders an Annual and half year financial report.

Measurement of success

At EA Networks' AGM shareholders approve the Financial Report.

Financial performance measures

Consumers and Shareholders are the same entity. They pay for utilising our electricity distribution services at the same time as receiving the benefits of ownership. To this end our financial focus is on meeting service levels in the most economically efficient manner possible. In this way we can ensure low consumer prices at the same time as satisfying Shareholder's expectations.

Measurement of success

To achieve a long term target which approximates the expected long term allowable regulatory returns.

Electricity tariff to domestic consumers

As a co-operative we aim to keep our charges down. To this end, our measure of success reflects our desire to have low charges.

Measurement of success

We are currently re-evaluating the measure of success to cover all tariff groups.

Consumer Discount

The consumer discount is paid to all consumers.

The Board has authorised a consumer discount of \$3.0M for the 2024/25 year in total. This effectively returns around 7.5% of distribution charges (excluding transmission) and results in a \$45 credit (incl GST) on a typical residential customer power bill.

Measurement of success

The payment of a consumer discount, which allows the business to be sustainable in the long run.

Requirement F: An estimation of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed by way of rebates, dividends, or other distributions to the Shareholders

We are not planning to make any distribution to Shareholders.

Requirement G: The procedures to be followed before the Company or any subsidiary of the Company subscribe for, purchase or otherwise acquire shares in any company or other organisation**General processes to be followed**

As a general policy any proposed investment by the company outside of the current commercial scope of the company will be required to meet the same financial criteria as any significant capital expenditure. In addition, the questions of control and risk will be addressed.

Major Transactions*Definition of major transaction*

A Major Transaction as defined in the Companies Act 1993, includes the acquisition of or an agreement to acquire assets equivalent in value to 50% or more of the value of the assets of the company before acquisition. Before making a recommendation concerning a major transaction Directors will evaluate:

- The benefits associated with the transactions
- The business case for the transaction
- The alignment of the major transaction with the long-term objectives

The process associated with a major transaction

If any investment proposal falls within the definition of a Major Transaction, then such proposal will be submitted to the Shareholders for approval by special resolution requiring a 75% acceptance vote.

Other significant transactions

If any investment proposal does not fall within the definition of a Major Transaction, then the Directors may exercise their authority in committing the company to such proposal.

Notwithstanding the authority which may be exercised by the Directors they may, if they consider it appropriate, submit any proposal to the Shareholders for approval. Approval for any other significant transactions would be carried out by an ordinary resolution of the Board.

Requirement H: The Board's estimate of the commercial value of the Shareholders' investment in the Company; and the manner in which, and the times at which, the value is to be reassessed

To keep costs down for our Shareholders, we have not engaged a valuer to estimate the commercial value of EA Networks. In practice the Directors consider the value of the company will be at least as high as the audited book values of the Shareholders equity as recorded in the Annual Report.

Reporting

Shareholders Committee reporting

Section 16 of EA Networks constitution requires that the Shareholders Committee shall report at least twice in each annual period to the Shareholders on the performance of the Company. This report shall include an assessment of that performance against the Statement of Corporate Intent and the principal objectives of the Company.

Six months report

Directors will publish an unaudited six-month report to Shareholders in a 'free' newspaper delivered to properties in the Ashburton district, meeting the requirement of section 16 of the constitution. This will also be available on the EA Networks website.

Annual report

Directors will, in the Statutory Annual Report to Shareholders include a report from the Shareholders Committee that will meet the requirements of section 16 of the constitution. This Annual Report will be audited.

The annual report will include a section of performance against the SCI. This section will be unaudited.

Definitions:

Area serviced by the electricity distribution network: The area serviced by the Ashburton District Council plus the Rangitata and Rakaia Gorges.

Board: The Board of EA Networks.

Co-operative company: EA Networks is a co-operative company registered under the Co-operative Companies Act 1996.

EA Networks or (the Company): Electricity Ashburton Limited trading as EA Networks.

Earnings before interest, deferred discount, taxation, and revaluation: Operating Surplus before Customer Deferred Discount, Interest and Taxation as reported in the statement of financial performance.

Financial Report: The annual audited financial results for the year ended 31 March.

Line Charges: The revenue received from a customer connected to the electricity network each year for network services (including transmission costs and other pass-through charges)

Residential Prices: The price for network services that an average residential customer who consumes 8,000kWh per annum pays for Line Charges. EA Networks utilise the Quarterly Survey of Domestic Electricity Prices (QSDEP) to benchmark this.

PSMS: Public Safety Management System.

Revenue: operating revenue reported in the statement of comprehensive income in the financial report including the posted discount

SCI: Statement of Corporate Intent.

Shareholder: A consumer who holds 100 \$1.00 rebate shares.

Shareholders Committee: The elected and appointed Shareholders' representatives.

Statement of financial performance: The statement contained in the audited year-end financial statements for the year concerned showing revenues, expenses and profit.

Statement of financial position: The statement contained in the audited year-end financial statements for the year showing assets, liabilities and Shareholders' equity.

Shareholders' funds: Total issued and paid capital, the balance of undistributed profits and all revenue and capital reserves less any minority interests.

Total assets: All the recorded tangible and intangible assets of the company, including distribution assets at their depreciated deemed cost, as defined in the company's statement of accounting policies.

Appendix 1 Trend statement (Unaudited)

Item	Measure	2023-24	2022-23	2021-22	2020-21
Requirements C The ratio of Shareholders' funds to total assets					
Shareholder's funds	Shareholder's funds as a percentage of total assets $\geq 60\%$ within our 10-year asset management planning horizon. Shareholder's funds for the actual year above 42% of total assets (meaning debt is less than 58%)	Yes	Yes	Yes	Yes
Requirements E Performance targets and other measures by which the performance of the company may be judged (excluding network reliability)					
Public safety unqualified audit report	Annual report from the auditors identifying that EA Networks complies and remains compliant with NZS7901.	Yes	Yes	Yes	Yes
Worker Safety	The Board will continually strive to ensure best practice in H&S practise including monitoring the Companies H&S performance , overseeing the development of policy and procedures as appropriate.	Yes	Yes	Yes	Yes
Compliance with legislation	We have complied with all material compliance and legislation requirements.	Yes	Yes	Yes	No
Reliability of the electricity network	Performance targets, set out in the Asset Management Plan are met.	Not yet available	No	Yes	Yes
External financial reporting	Shareholders approved the Financial Statements at the AGM.	Not yet available	Yes	Yes	Yes
Financial Performance measures	To achieve a long term target which approximates the expected average long term allowable regulatory returns.	Not yet available	No	Yes	Yes
Electricity tariff to domestic consumers	To have electricity Residential Prices Line Charges below the industry median, at a level that is sustainable for EA Networks.	Yes	Yes	Yes	Yes
Consumer discount	The payment of a consumer discount, which allows the business to be sustainable in the long run.	Yes	Yes	Yes	Yes
Requirements F Return to Shareholders					
Return to Shareholders	No measure				

Appendix B: Measuring success for the 2024/25 year.

Requirements C The ratio of Shareholders' funds to total assets	
Shareholder's Funds	We will use the audited Financial Report to determine the ratio. The ratio is equity and members interest divided by total assets.
Requirements E Performance targets and other measures by which the performance of the company may be judged (excluding network reliability)	
Public safety unqualified audit report	Positive assurance resulting from the NZS7901 external auditor.
Worker Safety	The Board will maintain a Health and Safety Charter. The charter will set out its role in leading Health and Safety and the role of individual Directors. The Board will maintain a Health and Safety sub-committee that operate under the Health and Safety Charter. Directors will set targets for Management that provide clear direction, focus and clarity of expectation. The targets will be measurable, challenging and realistic including lead and lag indicators, with a greater weighting on lead indicators that focus on prevention.
Compliance with legislation	No material compliance and legislation issues have occurred in the year.
Reliability of the electricity network	We will use audited regulatory disclosures to determine if the performance targets are met.
External financial reporting	At EA Networks' AGM shareholders approve the Financial Report.
Financial Performance measures	We will use the audited Financial Report to determine the ratio: Earnings before interest, rebates, customer discount and tax divided by total assets.
Consumer discount	We produce an internal 10-year-cashflow incorporating the consumer discount to demonstrate that EA Networks will continue to be financially viable after the consumer discount is paid out at the current level.
Requirements F Return to Shareholders	
Return to Shareholders	No measure.



**Background information to
Statement of Corporate Intent
2024-25**

The background information to the SCI is supplied for information purposes only. Its intent is to give a background to interested readers about who EA Networks is and how it operates.

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1 Overview

About EA Networks

EA Networks, the trading name for Electricity Ashburton Ltd, is a locally owned co-operative electricity distribution, fibre network and an infrastructure contracting company based in Mid Canterbury, New Zealand.

A detailed description of EA Networks can be found at our website www.eanetworks.co.nz

2 EA Networks structure.

Shareholders	Anyone who pays an electricity account which includes an EA Networks line charge is entitled to be a Shareholder of EA Networks.
Shareholders committee	The Shareholders elect four members to the Shareholders Committee, whose function is to represent the Shareholders. The Ashburton District Council as the deferred Shareholder appoints the remaining three members to the Shareholders Committee. The functions and responsibilities of the Shareholders Committee are defined in the company's constitution.
Board of Directors	The Shareholders Committee appoints the Directors whose key role is to ensure EA's prosperity by directing the company affairs, whilst meeting the interests of its consumers/Shareholders and stakeholders. Additional detail concerning how the Board operates can be found in our annual report, downloadable from www.eanetworks.co.nz
Chief Executive Officer	The Board appoints the Chief Executive Officer to carry out the day-to-day operations of the company.

3 Commitment to our customers

Our focus is our customers. Our current and future customers define our measurements of success. We have held and will continue to have focus groups with our customers to uncover issues, identify problems and find solutions that affect our customers. In addition to focus groups, we survey our customer to assess our performance.

4 Commitment to Sustainability

EA Networks will strive towards operating sustainably including across human, social, economic and environmental aspects.

A large strategic focus will be on improving internal processes and systems, including reviews of key processes and systems and implementing recommendations arising from improvement reviews.

The focus on environmental sustainability will require us to establish ongoing engagement with the community in a meaningful way and connection with community leaders.

5 Commitment to Safety

EA Networks will operate a safe and secure network. Safety is central to and embedded into all aspects of our operation. All team members and contractors interacting with the company must follow our H&S culture. Board, Management, and Team Members/Contractors are expected to contribute to this culture pro-actively and without prejudice.

Board involvement

All Board meetings devote time to actively enquiring into Health and Safety matters. A subcommittee of the Board regularly meets and examines Health and Safety matters in a more detailed manner.

Management team involvement

The Management Team examines Health and Safety issues as an on-going part of their responsibilities.

Team Member-involvement

Field staff undertake tailgate safety meetings before they undertake their tasks to identify any Health and Safety concerns. We annually hold a safety week and have regular Team Members meetings to address health and safety issues.

Team members/Contractors are empowered to stop work if they feel unsafe.

Working safely

EA ensures all Team Members/Contractors have the skills, knowledge and/or supervision required to carry out their assigned tasks. Safety incidents are investigated, reported on and reviewed by the Health and Safety Committee, Management Team and Directors of the company. The investigation process centres on how to minimise the possibility of a repeat incident.

Safety observations will be completed by trained personnel. The objective of the observations is to ensure that safe operating processes are followed.

EA Networks holds the view that safety is an attitude rather than a fiscal measure.

Public safety

The EA Networks Public Safety Management System (PSMS) complies with the provisions of 'NZS 7901 Electricity and Gas Industries - Safety Management Systems for Public Safety'. Public safety focuses on ensuring that the company's assets and activities do not present a risk of serious harm to any member of the public or significant damage to property.

While EA Networks takes all reasonably practicable steps to supply a safe and secure network and that risks are minimised as low as reasonably practicable, it is important to note that there could be incidents outside our control that occur involving the public; for example: motor vehicle accidents such as car vs. pole, or excavators damaging underground cables.

6 Long term objectives of EA Networks*Company overall objective*

Sustainably provide infrastructure products and related services to our local community at the same time as adding value beyond the simple connection through innovation and customer focus.

Objective of our electricity distribution network

To sustainably build, operate, and maintain a resilient electricity network that is fit for purpose. The reliability of the network meets the needs of consumers/Shareholders and is delivered in the most economically efficient manner balancing cost and quality of supply.

How will we achieve our long-term objectives?

Provide infrastructure products and related services.

EA will continue to provide an electricity distribution network, supported by its fibre network within the Ashburton district. In building and maintaining both networks EA will carry out in-house contracting when economically sensible to do so. Otherwise, EA will use external providers.

Directors have developed investment criteria to be used as a lens to evaluate opportunities.

New Investment proposals will need to, in no preferential order:

- Demonstrate a link with core business or competences of EA Networks.
- Have a risk/return profile such that over time the net investment will not require any cross subsidy from core business.
- Pass public scrutiny.
- Enhance core business activities.

An example of an investment which did meet the investment proposal test was the Barrhill Chertsey Irrigation Limited joint venture that has held water rights in the district and achieved a solid return to all Shareholders.

Adding value beyond the simple connection through innovation.

Value beyond the simple connection means we expand our focus beyond the infrastructure to the people who use it.

The electricity division's meaning of value is the selection, location and operation of EA's assets which leads to a safer, financially efficient, and reliable electricity distribution network. Value extends to all classes of consumers in the Ashburton District while, subscribing always to the wider social, environmental, economic and cultural values of the Ashburton District community. This same consideration applies to other investments on a case-by-case basis.

Customer focus.

EA Networks places the customer at the centre of its operation.

As a co-operative our strategies centre on what is best for our customer Shareholders. This is unique since for most large companies the Shareholder is separate from the customer. The vast majority of our customers are also our Shareholders – this means that the typical tension between these groups is non-existent. This enables us to focus on what matters and deliver strong customer outcomes that help drive economic growth in our region. We are successful if our customers are successful and have access to energy where and when they need it.

Customers impact all parts of the EA Networks operation. We seek to continuously improve our interactions and service to customers. To this end we have been investing in technology and processes that enhance the customer experience and enable us to monitor all touchpoints of the customer journey from first call through to project completion. We are also focused on improving how we communicate during major outages.

We see ourselves as having a key role in the evolution of technology that will enable our consumers to better manage their electricity needs and welcome feedback from our community on how we can do better. Such feedback and insights will be gained from focus groups, surveys and through our direct customer interactions.

To Build, operate, and maintain an electricity network that is fit for purpose.

Our network needs to be able to meet the needs of those who use it. These needs go beyond the ability to supply electricity, and includes being safe and reliable, at a sustainable cost.

Fit for purpose means safe operation, the long-term satisfaction of our consumers' service level expectations and of our Shareholders' expectations.

7 Our risk framework and how we manage risk

Risk Framework

Risk is the effect of uncertainty on business objectives and can lead to both positive and negative outcomes.

EA recognises that the business must take some risks in undertaking its core functions and pursuing opportunities. EA's risk framework aims to remove, eliminate, or mitigate significant detrimental risks.

The Board and Management are continually appraising their understanding of the risk profile of the company.

EA Networks risk management is governed by the Corporate Risk Management Policy. This policy is reviewed annually and takes a holistic view of risk that incorporates operational, financial, interest rate, human resource, Senior Management Team succession, changing technologies, changing regulatory requirements and cyber risk. Our policy aims to remove, where possible, unreasonable key risks. When this is not possible, steps are put in place which limit exposure to the associated risk.

How we manage risk

Proactive risk management assists the company with achieving our strategic goals.

Risk Management relates to the culture, processes and structures directed towards the effective response to potential opportunities and adverse effects within EA Networks. We take a systematic and strategic approach to identifying and managing risk while meeting-business objectives.

Our Risk Management standard incorporates health & safety, operational, financial, service delivery, Team Member capability and succession, changing technologies, changing regulatory requirements, and cyber risk.

8 How we manage our electricity network

EA Networks annually produces an Asset Management Plan or updates the latest version. This plan details:

- Supply standards and how we set and measure against them.
- The asset management process that we use.
- How we plan and manage the network
- What investment we intend to make

The Asset Management Plan can be downloaded from our website.

9 The environment in which EA Networks operates

Our electricity network business.

Traditionally, EA Networks has operated in a stable environment, with little change. Going forward, this is not the case, as EA Networks environment is significantly changing in many areas:

Emerging technologies

The electricity industry continues to undergo a significant amount of technological change and this has potential implications for EA Networks

EA Networks is keeping an active watch on developments and looking to account for expected future change in order to enable our customers to take advantage of opportunities as they arise. For example:

- Network embedded micro generation and large-scale distributed energy resources (DER) fuelled by renewable energy - impacts from the electrification of transport and industrial energy traditionally sourced from fossil fuels, and smart, energy efficient technologies.
- Greater levels of end user capability and desire to transact and operate flexibly on the distribution network, requiring increasingly sophisticated systems and data processes.
- Solar - Large-scale solar generation embedded on our network is becoming increasingly likely and we are working with various parties to ensure that our network can enable the connection new distributed generation.

Irrigation

During 1990-2010 period we had 6% compounding growth in connected capacity from irrigators. Irrigation load growth on our network has now almost stopped. Because of central and local government regulations regarding nutrient limits, and due to the widespread uptake of irrigation across formerly dryland farms, we do not expect any significant new irrigation load in the foreseeable future. In fact, with concern over freshwater and groundwater nitrate levels it is possible that there may be a decrease in irrigation load in coming years. To compound this there is a possible shift from dairy to other land use options, including growing horticultural. A change in land use may impact both the quantum of irrigation load and the demand profile.

Decarbonisation

We are working with industrial processors with the largest coal boilers in our district to ensure that any transition to electrify their heating process can occur in a timely and cost-effective manner. From the work we have completed to date we remain confident we can continue to provide core network capacity to allow all our customers to convert to electric technologies with a moderate amount of investment.

Pricing

Our regulated electricity pricing is developed to recover the cost of running our network (distribution costs) and transmission and other pass-through costs. Our total revenue is capped by regulation.

Distribution costs

Distribution reflects the costs associated with the local electricity network. This captures the assets required to deliver energy across the Mid Canterbury region as well as the operational costs associated with that. EA Networks employs a team of approximately 130 individuals whose primary objective is to design, build and manage our networks to be reliable, resilient and affordable.

Transmission and other pass-through costs

Transpower charge EA Networks for access to the national grid. This is a significant cost that now exceeds \$10 million annually. All transmission costs are pass-through to our customers and therefore incorporated into our prices, along with other regulatory costs.

Pricing approach

EA Networks bundles distribution and transmission cost recovery in order to develop 'network prices'. These prices are charged to electricity retailers for each connection to the distribution (and therefore transmission) network.

Prices are developed by segmenting the connection base into 'load groups'. These are cohorts of similarly sized connections with similar load profiles. We allocate assets required by these load groups to connect to the distribution network and receive energy. After assets are allocated we then determine how our total revenue requirement is recovered from each load group. Our goal is to ensure that load groups are paying equitably for the cost of operating the distribution network. Prices have been developed to incentivise time shifting of energy use and otherwise signal the cost of using the network.

Regulations

EA Networks operates in a macro environment where there are two key regulators.

Commerce Commission

The Commerce Commission has responsibility for operating price-quality regulation under Part 4 of the Commerce Act 1986 that aims to ensure EDB's:

- Have incentives to invest.
- Have incentives to innovate, to improve efficiency and to provide services at a quality that reflects consumer demands.
- Share the benefits of efficiency gains with consumers, including through lower prices.
- Are limited in our ability to extract excessive profits.

The Commerce Commission sets the revenue and profit which we are allowed from the electricity distribution side of the business. We demonstrate compliance with the Commerce Commission by the publication of three mandated key documents:

- The *Asset Management Plan* that set out our operating plan for the next 10 years.
- The *Annual Price Setting Compliance Statement* details how our allowable forecasted revenue is constructed.
- The *Default Price-Quality Path Annual Compliance Statement* details our actual performance against Price-Quality Commerce Commission defined targets.

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- *Annual Information Disclosure Statement* that shows compliance with the maximum profit we are allowed to earn.

These four documents will be made available for all interested parties on our website, www.eanetworks.co.nz throughout the year.

The regulator has a one size fits all approach to regulating price and quality standards that assumes the Shareholder and consumer are not the same individual. EA Networks is required to follow these regulations even though our Shareholders and consumers are the same individuals. An opportunity has been created by the Electricity Pricing Review to potentially move EA Networks outside of pricing and quality regulations. The Board and Management are currently pursuing this opportunity. This movement, if achieved, will enable EA Networks to better serve the needs of its consumers.

Electricity Authority

The Electricity Authority has responsibility under the Electricity Industry Act 2010 to promote competition within the sector, reliability of supply, and efficient operation of the electricity industry for the long-term benefit of consumers.

This includes:

- Setting the rules around distribution pricing methodology and how we recover distribution and transmission revenues from our consumers/shareholders. We will demonstrate compliance with the price rules by publishing EA Networks' Pricing Methodology on our website.
- Completing and filing a number of other mandated returns to the Electricity Authority regarding activities on our network.

The level of uncertainty created by the regulatory environment continues to grow for both EA Networks and consumers. Regulation is impacting EA Networks' ability to offer price certainty for irrigators, the extent to which EA can participate in emerging technology markets, and the rate of return which the company can earn.

Our Fibre business

The core purpose of our Fibre business is to provide a communication channel, enabling the operational optimization of our electricity protection equipment.

When possible and economically sensible we will allow private connections to our Fibre network.

Our Field Service business

Our contracting Field Services business is renowned for having high quality equipment and the ability to meet electricity department demands especially in times of major outages. The main function of Field Services is to supply electricity distribution and fibre contracting services to EA Networks.

10 Consumer Discount

Our consumer discount methodology is downloadable from our web site and defines what our annual consumer discount is and how it is allocated to consumers.

As a co-operative we aim to keep our prices at the lowest possible level that enables us to provide a sustainable business model into the future. To this end we have developed a discount policy that requires Directors to identify the consumer discount before the start of the year. When setting the level of the consumer discount, factors the Directors are required to consider include but are not necessarily limited to:

- Current and ongoing capital investment requirements
- The operational requirements of the company
- Borrowing/debt repayments considering intergenerational fairness.

We have set the consumer discount for the financial year ended 31 March 2025 at \$3.0M.