Company Name	Vector
For Year Ended	31 March 2025

Schedule 14 Mandatory Explanatory Notes

(Guidance Note: This Microsoft Word version of Schedules 14, 14a and 15 is from the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 6 July 2023. Clause references in this template are to that determination)

1. This schedule requires EDBs to provide explanatory notes to information provided in accordance with clauses 2.3.1, 2.4.21, 2.4.22, and subclauses 2.5.1(1)(f),and 2.5.2(1)(e).

2. This schedule is mandatory—EDBs must provide the explanatory comment specified below, in accordance with clause 2.7.1. Information provided in boxes 1 to 11 of this schedule is part of the audited disclosure information, and so is subject to the assurance requirements specified in section 2.8.

3. Schedule 15 (Voluntary Explanatory Notes to Schedules) provides for EDBs to give additional explanation of disclosed information should they elect to do so.

Return on Investment (Schedule 2)

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

Box 1: Explanatory comment on return on investment

The return on investment (ROI) comparable to a vanilla WACC for Vector's Electricity Distribution Business is 5.08%. This is slightly higher than the 67th percentile vanilla WACC of 4.57%, due to higher actual revaluation rate.

Actual CPI for RY2025 was 2.53% which was higher than the Commission's forecast of 2%. This increases the ROI by 0.5%.

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-

6. a description of material items included in other regulated income (other than gains / (losses) on asset disposals), as disclosed in 3(i) of Schedule 3

7. information on reclassified items in accordance with subclause 2.7.1(2).

Box 2: Explanatory comment on regulatory profit The value of “other regulated income (other than gains/ (losses) on asset disposals)” is zero. There has been no re-classification of items in the disclosure year.

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

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

9. information on reclassified items in accordance with subclause 2.7.1(2)

    9.1 any other commentary on the benefits of the merger and acquisition expenditure to the EDB.

Box 3: Explanatory comment on merger and acquisition expenditure No merger or acquisition expenditure has been incurred during the disclosure year. There has been no re-classification of items in the disclosure year.

Value of the Regulatory Asset Base (Schedule 4)

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

Box 4: Explanatory comment on the value of the regulatory asset based (rolled forward) Roll forward of regulatory asset base (RAB) The value of the RAB has been determined by rolling forward the initial RAB with allowances made for additions, disposals, depreciation and revaluations in accordance with the current IM determination. There were no reclassifications for the disclosure year.

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

11. In the box below, provide descriptions and workings of the material items recorded in the following asterisked categories of 5a(i) of Schedule 5a-

    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;

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

Box 5: Regulatory tax allowance: permanent differences

Items	Value ($m)	Comments
Expenditure or loss in regulatory profit / (loss) before tax but not deductible	9.2	This relates to non-deductible unamortised initial differences of RAB assets disposed and the revaluation component in RAB disposal.

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

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

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

There are no material items in the disclosure year.

Cost allocation (Schedule 5d)

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

Box 7: Cost allocation
There has been no re-classification of items in relation to cost allocation in the disclosure year. The accounting-based allocation approach (ABAA) has been applied to allocate not directly attributable costs in the disclosure year in accordance with the IM determination. Property, Plant and Equipment (PPE) and labour hours allocators are the key proxy allocators used to allocate not directly attributable corporate shared costs as causal factors are not available. A causal relationship cannot be established for the non-directly attributable costs because of the shared nature of these services. This means there is no single cost driver leading to a cost being incurred. <u>Labour hours</u> Vector has undertaken an internal survey of estimated time spent on regulatory activities for the purpose of regulatory cost allocation within the 18-month period. Not all shared service functions are able to estimate time spent servicing each business due to their activities being ever changing or because activities are primarily provided on a group only basis. <u>PPE</u> A significant proportion of Vector’s activities are focused on managing physical assets. Therefore, an assumption can be made that the greater the amount of physical assets a business has (measured by value), the greater share of corporate shared costs are required to support that business. The rationale behind the use of each proxy allocation is based on a thoughtful analysis of each cost item. Vector completed the sale of its liquified petroleum gas (LPG) business, Vector Ongas, and its shareholding in Liquigas Limited on 31 January 2025, just two months before 31 March 2025. This sale had a minimal impact on cost allocation, so allocators were not changed.

Asset allocation (Schedule 5e)

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

Box 8: Commentary on asset allocation
Consistent with cost allocation, Vector applied ABAA to allocate non-directly attributable network asset values in the 2025 disclosure year in accordance with the IM determination. Vector has determined and reported two allocators for shared network assets: a fair value ratio and a capacity ratio. The fair value ratio is determined by reference to an estimated fair value of the non-directly attributable portion of a shared network asset. The capacity ratio is an engineering-based ratio by reference to an asset's total service capacity. Determining which allocator to use involves an understanding of the nature of the shared network asset and the substance of the non-electricity distribution services that the asset provides. These allocators are proxy allocators. A causal relationship sometimes cannot be established for the non-directly attributable network asset values because the shared nature of these assets means there is no single factor influencing the utilisation of the asset. Determining the non-network fixed assets for the regulated and non-regulated businesses follows a similar process to the operating cost allocation. There have been no material changes in asset allocations in the disclosure year.

Capital Expenditure for the Disclosure Year (Schedule 6a)

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

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

    16.1 information on reclassified items in accordance with subclause 2.7.1(2).

Box 9: Explanation of capital expenditure for the disclosure year
The materiality threshold applied to identify material projects is the level of audit materiality applied by Vector's regulatory auditors ($9.3m). There were no material projects or programmes in the disclosure year. There has been no material re-classification of items in the disclosure year.

Operational Expenditure for the Disclosure Year (Schedule 6b)

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

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

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

20. 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 10: Explanation of operational expenditure for the disclosure year
Asset Replacement and renewal operational expenditure is largely incurred to rectify non-compliance with maintenance standards as identified from planned equipment inspections. This expenditure includes the replacement of equipment components that do not extend the life of the asset. The major spend areas are maintenance on zone substations, sub transmission cables, and overhead lines. Reclassified items There has been no material re-classification of items in the disclosure year. Material atypical expenditure There has been no material atypical expenditure in the disclosure year.

Variance between forecast and actual expenditure (Schedule 7)

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

Box 11: Explanatory comment on variance in actual to forecast expenditure
CAPEX **Overall actual CAPEX expenditure was 21%, $118m below forecast at $451m with the key drivers being:** • Consumer connections reached 37%, $78.6 million below forecast, mainly due to timing differences related to large customer substation projects. • Asset replacement and renewal was 30%, $35.9m above forecast, due to higher reactive works and the distribution asset replacement programme, and some capex being reclassified from other reliability, safety, and environment. • Asset relocations were 29%, $10.9m below forecast, which were third party driven. • Reliability, safety and environment was 74%, $38.5m below forecast, due to some capex being reclassified as asset replacement and renewal, and expenditure being less than forecasted.

- Non-network was 49%, $18.7m below forecast, due to the timing of major digital investments resulting in lower than forecasted costs.

<u>OPEX</u>

Overall actual OPEX expenditure was 2% or $3.6m below forecast with key drivers being:

- Service interruptions and emergencies were 12%, $2.0m below forecast, due to lower exceptional remedial maintenance.
- Asset replacement and renewal expenditure was 9%, $1.5m below forecast. This decrease was due to a decrease in corrective maintenance activities resulting from fewer faults and the implementation of cost-saving measures into the budget.
- The actual non-network opex remained at a similar amount compared to the forecast.

Information relating to revenues and quantities for the disclosure year

22. In the box below provide-

23. a comparison of the target revenue disclosed before the start of the disclosure year, in accordance with clause 2.4.1 and subclause 2.4.3(3) to total billed line charge revenue for the disclosure year, as disclosed in Schedule 8; and

    23.1 explanatory comment on reasons for any material differences between target revenue and total billed line charge revenue.

Box 12: Explanatory comment relating to revenue for the disclosure year

Vector's target revenue for the year ended on 31 March 2025, as included in our 2025 Electricity Pricing Methodology Disclosure pursuant to clause 2.4.1(1) and 2.4.3(3) of the electricity Distribution Information Disclosure Determination 2012, was $710m.

The total billed line charge revenue for the disclosure year ended on 31 March 2025 amounted to $722m, as disclosed in Schedule 8. The variance between the total billed line charge revenue and the target revenue of $710m, approximately $12m or 2%, was primarily due to higher quantities driven by increased summer temperatures.

Network Reliability for the Disclosure Year (Schedule 10)

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

Box 13: Commentary on network reliability for the disclosure year

The SAIDI and SAIFI values in RY25 were lower than the previous year due to fewer severe weather disruptions.

Vector has applied the ‘multi-count’ approach for SAIFI in the 2025 disclosure year, however, Vector is also required to disclose its SAIFI and SAIDI values as ‘Transitional SAIFI’ and ‘Transitional SAIDI’ values based on the old method used in the 31 March 2023 period.

Insurance cover

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

26. The EDB’s approaches and practices in regard to the insurance of assets used to provide electricity distribution services, including the level of insurance;

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

Box 14: Explanation of insurance cover

Vector Limited takes insurance cover for group assets. These policies cover material damage, business interruption and contract work insurance.

Insurance costs are allocated to the Electricity Distribution Business using the proportion these assets represent relative to Vector’s overall insured assets.

In respect of the insurance cover the information reflects “insurance years” running from 1 September to 31 August each year and premium costs are allocated to the appropriate regulatory years to derive the premium values.

Amendments to previously disclosed information

28. In the box below, provide information about amendments to previously disclosed information disclosed in accordance with clause 2.12.1 in the last 7 years, including:

    28.1 a description of each error; and

29. for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

Box 15: Disclosure of amendment to previously disclosed information

N/A

Company Name Vector

For Year Ended 31 March 2025

Schedule 15 Voluntary Explanatory Notes

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018.)

1. This schedule enables EDBs to provide, should they wish to-

2. additional explanatory comment to reports prepared in accordance with clauses 2.3.1, 2.4.21, 2.4.22, 2.5.1 and 2.5.2;

3. information on any substantial changes to information disclosed in relation to a prior disclosure year, as a result of final wash-ups.

4. 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.

5. Provide additional explanatory comment in the box below.

Box 1: Voluntary explanatory comment on disclosed information

<u>The section of 5a(vi) of Schedule 5a - calculation of deferred tax balance</u>

(a). The opening deferred tax balance under clause 2.3.7(1)(c) of Electricity Distribution Services Input Methodologies Determination 2012 (IMs)

Vector has previously provided an explanation of how the opening deferred tax balance under GAAP is treated for assets with no regulatory tax asset value.

The difference between the closing deferred tax balance reported in RY24 and the opening deferred tax balance in RY25 is the tax effect of 2024's right-of-use commissioned assets.

(b). Ref 72 in 5a(vi) - Deferred tax balance relating to assets disposed in the disclosure year

The amount includes two parts: (1) the change in deferred tax arising from asset disposals during the disclosure year, and (2) the adjustment for the deferred tax assets associated with the difference between regulatory asset values and the tax values for certain right-of-use assets which will not reverse.

<u>Energy efficiency and demand side management, reduction of energy losses (when known) in Schedules 6a and 6b</u>

Vector has improved the efficient provision of electricity line services by
(a) improving energy efficiency
(b) encouraging demand side management
(c) implementing initiatives that reduce electricity losses
(d) implementing initiatives that reduce reactive power flows in the network

However, the costs have been included under other categories which are the primary driver of Vector performing the work. Therefore, the values of "Energy efficiency and demand side management, reduction of energy losses" are zero in Schedules 6a (ii) and 6b (ii) as the data is not recorded in a way where it can be separately reported from our financial systems.

<u>New Schedule 10(vi): Disclosure of Worst-Performing Feeders for unplanned interruptions</u>

The new Schedule 10(vi) requires Vector to disclose its worst-performing feeders for unplanned interruptions. The definition specifies that these are feeders ranking in the 90th percentile or above for key reliability metrics: unplanned feeder SAIDI, unplanned feeder SAIFI, or customer impact ratio during the 2025 disclosure year. The term "feeder" in the Determination is broadly defined; unplanned SAIDI and SAIFI for feeders in Schedule 10 (vi) excludes low voltage (LV) feeders.

Vector identifies the top 10% of worst performing feeders—equating to 90 feeders—by evaluating performance on SAIDI, SAIFI, and the customer impact ratio. Notably, feeders with zero recorded faults are included in the calculation pool for percentile determination. Please note that Vector is also required to disclose information for the southern and northern sub-networks. The rankings for these sub-networks differ from the combined overall ranking.

The group of worst-performing feeders is predominantly made up of circuits with long line lengths and a high proportion of overhead conductor. These characteristics expose them to greater environmental risks such as adverse weather and third-party damage, both of which contribute to increased outage frequency and asset faults. Additionally, the reporting for this schedule incorporates non-normalised Major Events, which can significantly affect the reported values due to the impact of severe weather (e.g., high winds causing tree damage).

Historically, reliability metrics such as those for worse-performing feeders have been shaped by regulatory standards—broad targets that don't always reflect what individual customers experience. Our strategy for managing worse-performing feeders is customer-focused, so instead of tracking system-wide averages, we're using outage data at the customer level to better understand—and act on—what people are actually experiencing. The most straightforward and powerful metric here is number of outages experienced by customers, measured through number of distribution transformers to exclude issues affecting only individual installation control points (ICPs). This approach also captures repeated outages for customers. Currently, the schedule does not record repeated outages, which is a key driver of a customer's experience of the reliability performance.