



**Ausgrid Group
Annual report
30 June 2021**



Ausgrid Group

Annual report 30 June 2021

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Ausgrid Group
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Notes	2021 \$M	2020 \$M
Revenue	3	2,330	2,291
Distribution of energy costs	4(a)	(425)	(397)
Depreciation and amortisation expense	4(c)	(678)	(639)
Finance costs	4(d)	(446)	(478)
Employee benefits expense	4(b)	(297)	(309)
Other expenses	4(b)	(244)	(266)
Net loss on disposal of property, plant and equipment		(6)	(10)
Profit before income tax		234	192
Income tax expense		-	-
Profit for the year		234	192
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of cash flow hedges		415	(317)
Income tax relating to these items	5	(124)	95
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Defined benefit superannuation actuarial gain/(loss)	18(c)	24	(13)
Income tax relating to these items	5	(8)	4
Other comprehensive income/(loss) for the year		307	(231)
Total comprehensive income/(loss) for the year		541	(39)
Profit/(loss) for the year attributable to Partners:			
Ausgrid Operator Partnership (AOP)		168	244
Ausgrid Asset Partnership (AAP)		60	(46)
PLUS ES Partnership (PLUS ES)		6	(6)
Profit for the year		234	192
Total comprehensive income/(loss) for the year attributable to Partners:			
AOP		184	235
AAP		351	(268)
PLUS ES		6	(6)
Total comprehensive income/(loss) for the year		541	(39)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of financial position
As at 30 June 2021

	Notes	2021 \$M	2020 \$M
Current assets			
Cash and cash equivalents		249	403
Trade and other receivables	7	59	71
Contract assets	7	277	262
Prepayments		34	26
Inventories		22	31
Assets classified as held for sale	8	5	4
Total current assets		646	797
Non-current assets			
Property, plant and equipment	9	16,931	16,925
Intangible assets	10	3,582	3,641
Derivative financial assets	15	510	1,146
Deferred tax assets	6	173	305
Other receivables	7	3	-
Total non-current assets		21,199	22,017
Total assets		21,845	22,814
Current liabilities			
Trade and other payables	11	267	266
Contract liabilities	14	8	6
Borrowings	12	1,364	3
Provisions	13	275	280
Deferred government grants		2	2
Other liabilities	14	5	5
Total current liabilities		1,921	562
Non-current liabilities			
Contract liabilities	14	64	36
Borrowings	12	11,237	13,760
Derivative financial liabilities	15	632	991
Provisions	13	105	119
Deferred government grants		38	39
Total non-current liabilities		12,076	14,945
Total liabilities		13,997	15,507
Net assets		7,848	7,307

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of financial position
As at 30 June 2021
(continued)

	Notes	2021 \$M	2020 \$M
Equity attributable to Partners of AOP			
Contributed equity	16	1,716	1,716
Reserves		23	7
Retained earnings	17	(94)	(262)
Total equity attributable to Partners of AOP		1,645	1,461
Equity attributable to Partners of AAP			
Contributed equity	16	7,021	7,021
Reserves		(427)	(718)
Retained earnings	17	(552)	(612)
Total equity attributable to Partners of AAP		6,042	5,691
Equity attributable to Partners of PLUS ES			
Contributed equity	16	183	183
Retained earnings	17	(22)	(28)
Total equity attributable to Partners of PLUS ES		161	155
Total equity attributable to Partners of the Ausgrid Group		7,848	7,307

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Contributed equity \$M	Cash flow hedge reserve \$M	Defined benefit superannuation reserve \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2020	8,920	(718)	7	(902)	7,307
Profit for the year	-	-	-	234	234
Other comprehensive income					
Changes in the fair value of cash flow hedges - AAP and PLUS ES	-	291	-	-	291
Defined benefit superannuation actuarial gain - AOP	-	-	16	-	16
Total other comprehensive income	-	291	16	-	307
Total comprehensive income for the year	-	291	16	234	541
Balance at 30 June 2021	8,920	(427)	23	(668)	7,848
Closing balance of equity attributable to					
AOP	1,716	-	23	(94)	1,645
AAP	7,021	(427)	-	(552)	6,042
PLUS ES	183	-	-	(22)	161
Balance at 30 June 2021	8,920	(427)	23	(668)	7,848

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of changes in equity
For the year ended 30 June 2021
 (continued)

	Contributed equity \$M	Cash flow hedge reserve \$M	Defined benefit superannuation reserve \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2019	8,890	(496)	16	(1,064)	7,346
Profit for the year	-	-	-	192	192
Other comprehensive income					
Changes in the fair value of cash flow hedges - AAP and PLUS ES	-	(222)	-	-	(222)
Defined benefit superannuation actuarial loss - AOP	-	-	(9)	-	(9)
Total other comprehensive loss	-	(222)	(9)	-	(231)
Total comprehensive income/(loss) for the year	-	(222)	(9)	192	(39)
Transactions recorded directly in equity:					
Contributed equity	30	-	-	-	30
Distributions paid	-	-	-	(30)	(30)
Total transactions	30	-	-	(30)	-
Balance at 30 June 2020	8,920	(718)	7	(902)	7,307
Closing balance of equity attributable to					
AOP	1,716	-	7	(262)	1,461
AAP	7,021	(718)	-	(612)	5,691
PLUS ES	183	-	-	(28)	155
Balance at 30 June 2020	8,920	(718)	7	(902)	7,307

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Ausgrid Group
Consolidated statement of cash flows
For the year ended 30 June 2021

	2021 \$M	2020 \$M
Notes		
Cash flows from operating activities		
Receipts from customers	2,214	2,237
Payments to suppliers and employees	(970)	(1,130)
Interest received	1	2
Interest paid	(443)	(449)
Net cash inflow from operating activities	25 <u>802</u>	<u>660</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(498)	(621)
Payments for intangible assets	(39)	(54)
Proceeds from sale of property, plant and equipment	60	4
Net cash outflow from investing activities	<u>(477)</u>	<u>(671)</u>
Cash flows from financing activities		
Equity injection from Partners	-	30
Proceeds from borrowings	1,455	1,988
Repayment of borrowings	(1,929)	(1,745)
Transaction costs paid	(5)	(16)
Distributions	-	(30)
Net cash (outflow)/inflow from financing activities	<u>(479)</u>	<u>227</u>
Net (decrease)/increase in cash and cash equivalents	(154)	216
Cash and cash equivalents at the beginning of the year	<u>403</u>	<u>187</u>
Cash and cash equivalents at the end of the year	<u>249</u>	<u>403</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

This annual report is for the consolidated financial statements of AOP (parent entity), AAP, PLUS ES and their respective controlled entities (**Ausgrid Group**) for the year ended 30 June 2021.

Ausgrid Group is domiciled in Australia. Its registered office and principal place of business is 24-28 Campbell Street, Sydney NSW 2000.

Ausgrid Group is a stapled structure comprised of AOP, AAP and PLUS ES. The accounting standards require one parent entity in a consolidated group, so for the purpose of preparing these consolidated financial statements only, AOP was identified as the parent. AOP and its partnership entities, AAP and PLUS ES, were established on 20 October 2016 (AOP and AAP) and 1 November 2017 (PLUS ES), on the signing of the respective Partnership Deeds. A 50/50 consortium comprising IFM Investors and AustralianSuper holds 50.4% partnership interest and the New South Wales (**NSW**) State Government (through various corporations established in accordance with the *Electricity Retained Interest Corporation Act 2015 (NSW)*) holds 49.6% partnership interest in AOP, AAP and PLUS ES.

In June 2021, the Ausgrid Group was notified that one of its investors, AustralianSuper, was presently considering its options concerning a partial sale of its 25.2% interest in the Ausgrid Group. In the event of a sale, IFM Investors would have a first right of offer over any holdings proposed for divestment by AustralianSuper in the Ausgrid Group.

The NSW State Government's 49.6% interest in the Ausgrid Group will remain unchanged.

Pursuant to the Partnership Deeds, all the Partners agreed to ensure equivalence in that the proportion of Partnership interest held by each Partner should be identical between AOP, AAP and PLUS ES.

On 1 December 2016, AAP entered into a 99 year finance lease to lease the Ausgrid Group's electricity distribution and transmission network assets from the NSW State Government. On the same date, these assets were leased from AAP to AOP through a 98 year 364 day sublease, and AOP was granted a license to operate the network assets by the NSW State Government.

The Ausgrid Group is the controller, operator and manager of the distribution network and parts of the transmission network covering Sydney, the Central Coast and the Hunter Region of NSW and provides electricity services to both residential and commercial customers in NSW. AOP is both a Distribution Network Service Provider (**DNSP**) and a Transmission Network Service Provider (**TNSP**) in the National Electricity Market (**NEM**) which is regulated by the Australian Energy Regulator (**AER**). Over a regulatory control period, the AER determines the annual expected revenue that the Ausgrid Group is allowed to recover from customers based on the framework set out in the National Electricity Law (**NEL**) and National Electricity Rules (**NER**). The Ausgrid Group distributes electricity on behalf of energy retailers to their customers within Ausgrid Group's network area. The retailers pay the Ausgrid Group for the provision of network services to their customers according to the regulated network tariffs approved by the AER, and for related metering and ancillary network services provided to the retailers' customers.

The Ausgrid Group also delivers street lighting services to local councils and unregulated services with a focus on contestable metering, infrastructure services and emerging energy solutions.

These financial statements were authorised for issue by the Directors on 23 August 2021.

(a) Basis of preparation

These general purpose financial statements have been prepared to meet the information needs of the Partners of AOP, AAP and PLUS ES as required under the Partnership Deeds dated 20 October 2016 (AAP and AOP) and 1 November 2017 (PLUS ES), and in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (**AASB**). The Ausgrid Group is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Ausgrid Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Historical cost convention

These financial statements are prepared on a historical cost basis, except for the following:

- derivative financial instruments which are measured at their fair value;
- defined benefit plan which is measured at fair value; and
- assets classified as held for sale which are measured at the lower of their carrying value or Fair Value Less Costs of Disposal (**FVLCD**).

(iii) Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Ausgrid Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

(iv) Going concern

As at 30 June 2021, the Ausgrid Group has net current liabilities of \$1,275 million (30 June 2020: net current assets of \$235 million) due to \$1,364 million of borrowings being classified as current borrowings as it matures within the next 12 months (refer to Note 12 for details).

The Directors have considered the following factors in determining whether the Ausgrid Group can pay its debts as and when they fall due for the next 12 months:

- The Ausgrid Group generated net operating cash inflows of \$802 million for the year ended 30 June 2021 (2020: \$660 million). The Ausgrid Group is forecasting a positive cash balance for the next 12 months.
- The Ausgrid Group has available cash and cash equivalents of \$249 million (2020: \$403 million) and undrawn bank facilities of \$473 million as at 30 June 2021 (2020: \$211 million).
- The Ausgrid Group Treasury Policy requires that the refinancing of maturing debt is commenced no later than 12 months before the relevant maturity. Consistent with this policy, the relevant program documentation has been updated which will enable access to domestic and international bond markets. Refinancing of Term Facility B1 of the Syndicated Facility Agreement (**SFA**) is targeted for the first half of the 2022 financial year and well ahead of maturity on 1 June 2022. Potential options include the Australian Medium Term Note (**AMTN**), US Private Placement (**USPP**), Euro Medium Term Note (**EMTN**) and bank markets.
- The Ausgrid Group's credit rating was reaffirmed by Moody's in October 2020 and Standard and Poor's (**S&P**) in July 2021 with a stable rating outlook. This supports continued access to bank lending and capital markets, with \$1.22 billion refinanced during the year (refer to Note 12 for details).
- On 2 July 2021, the Ausgrid Group renegotiated its existing \$721 million Capex Facility and \$250 million Working Capital Facility and extended the maturity by two years (refer to Note 27 for details). A total of \$450 million drawn under these facilities was included in the \$1,364 million of current borrowings at 30 June 2021.
- According to the Partnership Deeds, each Partner is responsible for discharging the liabilities of the Partnerships in proportion with their respective Partnership interest, and indemnifies each other Partner from the default of the liabilities. Accordingly, the Partners will provide continuing financial support so that the Ausgrid Group is able to pay its debts as and when they fall due.

On 11 March 2020, the World Health Organisation declared Coronavirus (**COVID-19**) a global health pandemic. The consolidated financial statements reflect the material impacts of COVID-19 including appropriate measurement, presentation, disclosure and going concern assessment. Refer to Note 2 for further details.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Going concern (continued)

The Directors do not foresee a significant impact on the Ausgrid Group's access to capital or liquidity position as a result of the COVID-19 pandemic. Given the Ausgrid Group provides a regulated essential service and currently maintains a strong financial position, is forecasting a positive cash balance for the next 12 months, and has available undrawn borrowing facilities, the consolidated financial statements have been prepared on a going concern basis.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Ausgrid Group as at 30 June 2021. Group transactions, balances and unrealised gains and losses on transactions between group entities are eliminated.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Ausgrid Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian Dollars (**AUD**), which is the functional and presentation currency of each entity in the Ausgrid Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income or operating expenses.

(d) Storm costs pass-through application

During the previous financial year ended 30 June 2020, major storm events caused significant damage to the Ausgrid Group network. The damage caused by these storms interrupted power to a large number of customers and required an Ausgrid-wide effort, supported by other distribution networks and third parties, to restore power quickly and safely to impacted customers. As a result of the financial impact of these storms, the Ausgrid Group submitted a pass-through application to the AER. In December 2020, the AER approved a pass-through amount of \$26 million related to the February 2020 storm, comprising of \$14 million operating expenditure and \$12 million capital expenditure. The operating expenditure will be recovered via an increased revenue allowance across the remainder of the current regulatory period, and capital expenditure will be recovered over the life of the assets created during the storm recovery.

(e) Revenue recognition

Revenue is recognised when the relevant performance obligations embedded in contracts with customers are satisfied, i.e. when the control of a good or service transfers to a customer. Performance obligations are completed at a point in time or over time. Revenue is recognised for the major business activities of the Ausgrid Group as follows:

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(i) Network use of system revenue

Network Use of System (**NUOS**) revenue represents the rendering of electricity network services to customers within the Ausgrid Group's network area. Upon delivery of electricity, customers receive and consume the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the 'right to invoice' practical expedient, and recognises revenue based on the billing amount which is determined based on the relevant tariff multiplied by the electricity consumption volume, as well as the number of network access days and a demand or capacity charge (if applicable). The Ausgrid Group bills retailers weekly and monthly. Revenue associated with unbilled services is recognised as described in unread meters below.

NUOS revenue includes three components: Distribution Use of System (**DUOS**) revenue, Transmission Use of System (**TUOS**) revenue and revenue to recover the Ausgrid Group's annual contribution to the NSW Climate Change Fund (**CCF**). DUOS revenue relates to customer use of the Ausgrid Group's distribution network. TUOS revenue relates to customer use of the Ausgrid Group's transmission network, and also includes revenue to recover transmission costs paid to TNSPs and embedded generators.

(ii) Excess/shortfall in regulatory revenue

(a) DUOS

The Ausgrid Group's allowed DUOS revenues for a five year regulatory period are set by the AER as part of the regulatory determination process. Under this framework, where such DUOS revenues exceed or fall below the Ausgrid Group's Maximum Allowable Revenue (**MAR**), as determined by the AER, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(b) TUOS

TUOS revenue relates to customers use of the Ausgrid Group's transmission network allowed under the MAR, and also includes revenue to recover transmission costs paid to TNSPs and embedded generators. Where such TUOS revenue exceeds or is below the actual transmission costs paid to TNSPs and embedded generators, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(c) CCF revenue

CCF revenue operates as a pass-through to customers based on payments made to the NSW CCF. Where such revenue exceeds or is below actual contributions paid to the NSW Office of Environment & Heritage, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

(iii) Unread meters

Applying the expected value method, the unread meters accrual is an estimate of the NUOS charges associated with the rendering of electricity distribution services not invoiced at the end of each reporting period. The accrual for unread meters includes both meters that have been read but not yet billed and meters that have not been read as at the reporting date. The methodology used by the Ausgrid Group reflects a bottom up approach where an accrual is estimated for all unread meters within the Ausgrid Group's network area. The accrual is calculated for each component of the network price including peak, shoulder and off peak electricity consumption, network access, demand and capacity charges.

The Ausgrid Group assesses the unread meters accrual at the end of each reporting period based on the expected value method (as described above) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(iv) Transmission revenue

Transmission revenue represents revenue from TransGrid from their use of the Ausgrid Group's transmission assets. Upon the use of Ausgrid Group's transmission assets, TransGrid receives and consumes the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the 'right to invoice' practical expedient and recognises revenue based on the billing amount.

(v) Capital contributions

Capital contributions represent non-cash capital contributed by customers and developers to the Ausgrid Group's distribution network.

Standard Control Services (**SCS**) capital contributions are contributed mainly by developers, who are not ongoing customers of the Ausgrid Group. Revenue is recognised at fair value at a point in time when the connection to the network is completed and the asset is energised.

Alternative Control Services (**ACS**) capital contributions represent street lighting capital contributions where the Ausgrid Group assumes an ongoing maintenance obligation to the customer who contributed the asset. The fair value of capital contributions from these specific customers are treated as contract liabilities and recognised as revenue over the ongoing maintenance period, i.e. the useful life of the asset contributed.

(vi) Street lighting revenue

Street lighting revenue relates to the ongoing maintenance and replacement of street lighting assets. As the street lighting maintenance and replacement services are provided continuously to the customer, it is treated as one performance obligation. Revenue is recognised over time when the street lighting services are provided.

(vii) Ancillary network services revenue

Ancillary Network Services (**ANS**) revenue relates to non-routine connection and other ad hoc metering services provided to individual customers on an as needed basis. Depending on the service, it can be at the request of an electricity retailer, accredited service provider or end customer. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

(viii) Metering revenue

Metering revenue relates to ACS regulated metering. ACS regulated metering service charges represent the ongoing provision of metering services and metering data services for meters within the Ausgrid Group's network area (type 5 and 6 meters). This is a daily charge consisting of both capital and non-capital components. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

(ix) Unregulated revenue

Unregulated revenue is made up of recoverable revenue, contestable revenue and other external revenue. Recoverable revenue is generated from works undertaken on the electricity network, at the request of a customer or other external party, which are not for the purpose of establishing a new or upgraded connection. Contestable revenue consists of unregulated metering revenue and other contestable works. Unregulated metering revenue represents the ongoing provision of metering services and metering data services for contestable meters (type 1 to 4 meters). Other contestable work relates to customer connection activity that can be performed by any accredited service provider. Other external revenue mainly consists of rental income and infrastructure services revenue. Infrastructure services revenue represents revenue for design and construction of electrical and fibre infrastructure, chemical and oil testing, instrument calibration and high power testing of electrical equipment. Revenue is recognised over time when the services are delivered and/or the relevant performance obligations are satisfied.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(x) Government grants

Government grants are recognised in the statement of financial position initially as deferred revenue when they are received, and released to income when the Ausgrid Group complies with the conditions attaching to them. Grants that compensate the Ausgrid Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Ausgrid Group for expenses incurred are recognised in profit or loss in the same period in which the expenses are incurred.

(xi) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Ausgrid Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Income tax

Under tax law in Australia, the partnerships within the Ausgrid Group are not subject to tax, as each Partner reports its share of income from the partnerships in its own tax return.

The corporate entities within the Ausgrid Group have no taxable income. Therefore there is no income tax expense or income tax payable for the year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(g) Leases

The Ausgrid Group leases various premises including network, depot and office facilities. Lease payments under these leases vary and some of which are subject to annual, biennial or triennial reviews to reflect market rentals.

(i) Measurement and recognition of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Ausgrid Group under residual value guarantees;
- the exercise price of a purchase option if the Ausgrid Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Ausgrid Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Ausgrid Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the Right of Use (ROU) asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Measurement and recognition of ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;

1 Summary of significant accounting policies (continued)

(g) Leases (continued)

(iii) Measurement and recognition of ROU assets (continued)

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Ausgrid Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets are assets with a value less than \$15,000 over the entire lease term.

Lease income from operating leases where the Ausgrid Group is a lessor is recognised in revenue in profit or loss on a straight-line basis over the lease term. The Ausgrid Group leases out its properties, including premises, land and network assets, under operating lease agreements at market rentals, predominantly on a fixed term basis.

(h) Impairment of assets

Goodwill is tested for impairment annually or whenever there is an indicator of impairment. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, where the recoverable amount is the higher of an asset's FVLCD or Value in Use (VIU). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (Cash-generating Unit (CGU)).

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(j) Trade receivables

Trade receivables are recognised initially at fair value when the right to consideration becomes unconditional and subsequently measured at amortised cost using the effective interest method, less expected credit losses. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected within 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts for which the Ausgrid Group has no reasonable expectations of recovering are written off by reducing the carrying amount directly.

The Ausgrid Group applies the AASB 9 Financial Instruments (**AASB 9**) simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. Contract assets relate to unbilled receivables and have substantially the same risk characteristics as trade receivables. The Ausgrid Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

1 Summary of significant accounting policies (continued)

(k) Contract assets

Contract assets represent the right to consideration for performance obligations completed to date when the right is conditional on something other than the passage of time. The contract assets balance primarily represents the unread meters accrual.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item. In the case of inventory for internal use, costs include direct labour, materials and a portion of variable overhead which comprises the cost of bringing the inventories to their appropriate location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) Property, plant and equipment

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Ausgrid Group. Cost is the amount of cash or cash equivalents paid at the time of acquisition or construction, adjusted for any gains or losses on qualifying cash flow hedges in respect of the purchases of relevant assets.

After initial recognition as an asset, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

(ii) Historical cost method

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Ausgrid Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(iii) Impairment assessment

Each year, property, plant and equipment is assessed for impairment if an indication of impairment exists. The Ausgrid Group makes an estimate of the recoverable amount to confirm that the carrying amount of the asset does not exceed its recoverable amount.

The recoverable amount is based on the higher of the FVL COD or the VIU for the CGU. In assessing FVL COD or VIU, the estimated future cash flows for the business are discounted to their present value using a discount rate that reflects the risks specific to the business and relevant market assessments.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(iv) Retirements or disposals

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

(v) Capitalisation of costs

Items of property, plant and equipment are initially recognised at cost. Cost includes expenditure that is directly attributable to the acquisition and/or construction of the asset, including costs of materials, services, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an allocated proportion of supporting overhead costs. Capitalised costs also include borrowing costs in accordance with Note 1(s) (where relevant).

Management judgement is required in the assessment of the types of costs that are directly attributable to the construction of property, plant and equipment. Satisfying the directly attributable criteria requires an assessment of those unavoidable costs that, if not incurred, would result in the property, plant and equipment not being constructed or being capable of operating in the manner intended by management. Directly attributable overheads are allocated to the cost of construction of an asset using direct labour dollars or direct costs.

(vi) Depreciation

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of their useful lives or the lease term. The estimated useful lives or, in the case of leased assets, the shorter lease term, are as follows:

Categories	Depreciation period (years)
Buildings	40-60
Network assets:	
Information Technology (IT)	4-10
Franchise meters (type 5 and 6 meters)	25
Transmission and distribution equipment	35-50
Mains	45-60
Tunnels	70
Street lighting	20
Leased land	48-99
Plant and equipment:	
Contestable meters (type 1 to 4 meters)	10
Plant	7
Fleet	10-15
Furniture	10
Office equipment	7
IT hardware	4-10
Leased assets	lease term

Asset lives are reviewed annually and, where required, adjustments are made to the remaining useful lives of separately identifiable parts of assets having regard to factors such as asset usage and the rate of technical and commercial obsolescence. Adjustments are treated as changes in accounting estimates to be applied prospectively.

(n) Intangible assets

(i) Network assets

Network assets include easements and the Ausgrid Group's network distribution licence. Easements represent an interest in land which allows access to network assets. The Ausgrid Group's network distribution licence and easements are amortised on a straight-line basis over the 99 year lease period.

1 Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

(ii) Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer contracts are amortised over a period of five years using the straight-line amortisation method.

(iii) Computer software

Computer software is amortised over a period of one to four years using the straight-line amortisation method. The useful life of software is reviewed annually, and adjustments where applicable, are treated as changes in accounting estimates to be applied prospectively.

Costs incurred in configuring or customising Software-as-a-Service (**SaaS**) arrangements are recognised as intangible assets only if the implementation activities create an intangible asset that the Ausgrid Group controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Ausgrid Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

(iv) Goodwill

Goodwill arises from business combinations. The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

(o) Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and FVLCD, if their carrying amount will be recovered principally through a sale transaction as opposed to continued use. Once classified as held for sale, depreciation and amortisation ceases. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

(p) Derivatives and hedging activities

The Ausgrid Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

The fair value of Interest Rate Swaps (**IRS**), Cross Currency Interest Rate Swaps (**CCIRS**) and forward contracts is the estimated amount that the Ausgrid Group would receive or pay to terminate the derivative at the reporting date, taking into account current interest and foreign exchange rates and the current creditworthiness of the Ausgrid Group and its derivative counterparties.

Derivative financial instruments are classified into current and non-current portions when the Ausgrid Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date. For derivative financial instruments designated into hedging relationships, the classification will be consistent with the hedge relationship.

1 Summary of significant accounting policies (continued)

(p) Derivatives and hedging activities (continued)

At the inception of a hedge relationship, the Ausgrid Group formally designates and documents the hedge relationship to which the Ausgrid Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Ausgrid Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Ausgrid Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Ausgrid Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Ausgrid Group continues to recognise the financial asset and the associated liability.

The Ausgrid Group derecognises a financial liability when, and only when, the Ausgrid Group's obligation specified in the contract is discharged, cancelled or expired.

Hedges that meet the criteria for hedge accounting are accounted for as described below:

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in finance costs in profit or loss.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in finance costs in profit or loss.

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. They are presented as current liabilities unless payment is not due within 12 months from the reporting date. The amounts are unsecured.

(r) Contract liabilities

Contract liabilities relate to consideration received in advance of performance under the contract. These liabilities are recognised as revenue as (or when) the Ausgrid Group delivers the performance obligation under the contract.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Transaction costs are amortised using the effective interest method over the life of the loan. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

Borrowings are classified as current liabilities unless the Ausgrid Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

1 Summary of significant accounting policies (continued)

(t) Provisions

Provisions are recognised when the Ausgrid Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

All liabilities for employee benefits that are expected to be paid for services provided by employees up to the reporting date represent present obligations and are fully provided for in the financial statements.

Liabilities for employee benefits for wages, salaries, annual leave, preserved sick leave and long service leave that are expected to be wholly settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Ausgrid Group expects to pay as at the reporting date and include related on-costs, such as workers compensation insurance and payroll tax.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date based on an actuarial assessment. The discount rate is the market yield on national corporate bonds as at 30 June 2021 that have maturity dates aligned with the terms of the Ausgrid Group's obligations. The accrued portion of future benefits has been determined using the projected unit credit method. Consideration is given to expected future wage and salary levels, and a range of demographic assumptions including retirement, withdrawal, death and disability rates.

The amounts provided have been apportioned between current and non-current provisions. The current provisions represent the portion which is expected to be paid within the ensuing 12 months or where there is no unconditional right to defer settlement of the obligation.

(v) Superannuation

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

The Ausgrid Group participates in the Energy Industries Superannuation Scheme (**the Scheme**) established by a Trust Deed made under an Act of the NSW Parliament, of which some divisions provide defined benefits. The Ausgrid Group accounts for its proportionate share of the defined benefit obligation, plan assets, and cost associated with the plan in the same way as for any other defined benefit plan.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of the defined benefit plan is calculated separately for each policy by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

1 Summary of significant accounting policies (continued)

(v) Superannuation (continued)

(ii) Defined benefit plan (continued)

The discount rate is the market yield on national corporate bonds as at 30 June 2021 that have maturity dates aligned with the terms of the Ausgrid Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All remeasurements arising from the defined benefit plan are recognised in other comprehensive income in the year in which they occur.

Where the calculation results in a benefit to the Ausgrid Group, the recognised asset is limited to the future economic benefits that will be available to the Ausgrid Group through a reduction in future contributions or a cash refund.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced). Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Past service costs and net interest expense or income are recognised in profit or loss.

(w) Other liabilities

(i) Deferred revenue

Deferred revenue represents the advanced rental income received from external tenants.

(ii) Deposits

Deposits represent liabilities for contractors' deposits which can be refunded at any time after the end of the financial year and unclaimed monies which are held for up to six years before being transferred to Revenue NSW. The amount which can be refunded in the succeeding financial year and at any time is shown as current and the remainder of the liability as non-current.

(x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (**GST**).

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (**ATO**) is included as a current asset or current liability in the statement of financial position.

The GST component of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

(y) Distributions

The Ausgrid Group recognises a liability for distributions to Partners of the Ausgrid Group when the distribution is authorised by the Partnerships (AOP, AAP and PLUS ES) in accordance with their respective Partnership Deeds.

(z) Segment reporting

The Chief Operating Decision Makers (**CODM**) of the Ausgrid Group, as defined by AASB 8 Operating Segments (**AASB 8**), is the Executive Leadership Team, which is made up of the Chief Executive Officer and their direct reports. The CODM review the performance of the Ausgrid Group as a whole and make decisions regarding the allocation of resources on this basis. For the purposes of AASB 8, the Ausgrid Group has one operating segment.

The Ausgrid Group is required to report its different regulatory lines of business as part of its reporting to the AER. Information in relation to the regulatory lines of business has been disclosed in the consolidated financial statements. The form of regulatory control that applies to the Ausgrid Group's services depends on whether the services are categorised as SCS, ACS, or unregulated services:

1 Summary of significant accounting policies (continued)

(z) Segment reporting (continued)

- SCS comprise core distribution and transmission network services that the AER determines are for the benefit of all end customers, the costs of which are recovered from all end customers. SCS is subject to a revenue cap mechanism which limits the amount of revenue that can be recovered from providing the applicable services in a given regulatory control period;
- ACS are services that the AER determines are either dedicated to, or requested by, a small number of end customers, the costs of which are directly recovered from those end customers. ACS is subject to a price cap mechanism which limits the price that can be charged for the applicable service. ACS include certain types of metering services, street lighting services and ancillary network services, such as facilitating network connections; and
- Unregulated services comprise services that the AER believes are provided on a sufficiently competitive or contestable basis such that economic regulation is not necessary. These services include contestable metering services, private customer lighting services, infrastructure services, emerging energy solutions, and lease of property.

Refer to Note 1(e) for detailed revenue recognition accounting policies in relation to these services.

(aa) Rounding of amounts

The Ausgrid Group has applied Australian Securities and Investments Commission (**ASIC**) Legislative Instrument 2016/191 (Rounding in Financial/Directors' Reports). The amounts shown in this report have been rounded to the nearest \$1,000,000, unless otherwise indicated.

(ab) New accounting standards and interpretations

(i) New accounting standards and interpretations adopted

The Ausgrid Group adopted AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform on 1 July 2020.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by Interbank Offered Rate (**IBOR**) reform. The relief has the effect that IBOR reform will not cause hedge accounting to terminate. Any hedge ineffectiveness will continue to be recorded in the statement of profit or loss and other comprehensive income.

The Ausgrid Group holds a portfolio of foreign currency denominated fixed rate borrowings that are exposed to changes in fair value due to movements in market interest rates. The Ausgrid Group uses fair value hedge accounting to manage this interest rate risk exposure, which is determined as the change in fair value of the borrowings arising from changes in three month US\$ London Interbank Offered Rate (**LIBOR**) for US\$ denominated borrowings, and three month EUR LIBOR for EUR denominated borrowings (the benchmark rates of interest).

Under the temporary relief provided by the amendments, the Ausgrid Group has assessed whether the hedged US\$ LIBOR and EUR LIBOR risk component is a separately identifiable risk only when it first designates the hedge relationship and not on an ongoing basis.

The Ausgrid Group also has designated cash flow hedge relationships where the hedged items and/or hedging instruments reference three month US\$ LIBOR and three month EUR LIBOR.

As at 30 June 2021, the Ausgrid Group had \$3,774 million of US\$ denominated interest bearing notes affected by three month US\$ LIBOR and \$1,074 million of EUR denominated interest bearing notes affected by three month EUR LIBOR.

(ii) New accounting standards and interpretations not yet adopted

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Ausgrid Group for the year ended 30 June 2021. The impact of these new standards or amendments to the standards and interpretations (to the extent applicable to the Ausgrid Group) is as follows:

1 Summary of significant accounting policies (continued)

(ab) New accounting standards and interpretations (continued)

AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2 (applicable to the Ausgrid Group from 1 July 2021)

The amendments provide practical expedients to account for changes in the basis for determining contractual cash flows as a result of IBOR reform and provide additional temporary relief from applying specific hedge accounting requirements to hedging relationships that are directly affected by IBOR reform. The amendments also require additional disclosures, including information about new risks arising from the IBOR reform, how the entity manages transition to the alternative benchmark rates and quantitative information about derivatives and non-derivatives that have yet to transition.

The application of the amendments will have no material impact on the financial results of the Ausgrid Group but is expected to result in additional disclosures as outlined above.

2 Use of estimates and judgements

The preparation of the consolidated financial statements require judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Judgements made by management in the application of Accounting Standards that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed below and in the various respective notes:

Note 1(e)(iii) and 7 - Unread meters
Note 1(m) and 9 - Property, plant and equipment
Note 1(n) and 10 - Intangible assets
Note 1(t) and 13 - Provisions
Note 18 - Superannuation - defined benefit plan
Note 26(f) - Recognised fair value measurements

During the year ended 30 June 2021, the following significant events have occurred that provide further information on the estimates and judgements disclosed in the consolidated financial statements.

COVID-19

The continuation of COVID-19 has impacted revenue, operations, expected credit losses, valuation of derivatives and the application of hedge accounting, and recoverable amount assessments of non-financial assets. The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below and/or in the relevant note to the consolidated financial statements.

(i) Revenue impact

The Ausgrid Group continues to provide essential network services during the COVID-19 pandemic. The impact of COVID-19 resulted in lower energy consumption by non-residential customers over the year ended 30 June 2021 due to a reduction in industrial and commercial economic activity. However, the impact on regulated revenue has been largely offset by higher than forecast capacity and demand charges. Under the regulatory framework, the Ausgrid Group does not assume volume risk, meaning any under-recovered revenue due to lower energy consumption, network access days, demand or capacity charges is recovered in future years within the current five year regulatory period (1 July 2019 to 30 June 2024).

Revenue for the year ended 30 June 2021 includes the residual impact of the following relief measures that were made available to customers in the financial year ended 30 June 2020. No additional measures were announced in the year ended 30 June 2021:

2 Use of estimates and judgements (continued)

COVID-19 (continued)

(i) Revenue impact (continued)

- One-off capacity resets offered by the Ausgrid Group to medium and large non-residential customers that were significantly impacted by COVID-19. This resulted in a revenue reduction of \$4 million in the previous financial year ended 30 June 2020, which will be recovered over the remaining three years of the current regulatory period;
- An industry relief package offered by the Ausgrid Group, along with some other network businesses in the NEM, that waived or deferred network charges for certain customers impacted by COVID-19. The waived network charges were limited to the period 1 April 2020 to 30 June 2020 and were recognised in the previous financial year ended 30 June 2020. The deferral of network charges resulted in extended payment terms to September 2020 that were collected in full in the year ended 30 June 2021; and
- On 6 August 2020, the Australian Energy Market Commission (**AEMC**) introduced a rule change that deferred network access charges by up to six months for customers of small, non-government owned retailers facing hardship due to COVID-19. No deferral requests were received in the applicable six month period which ended on 6 February 2021.

The Ausgrid Group has considered and incorporated these impacts when performing the goodwill impairment testing and the going concern assessment. The Ausgrid Group concluded that no impairment is required and there is sufficient liquidity to be able to pay debts as and when incurred for the next 12 months.

(ii) Operations

The COVID-19 impact on the Ausgrid Group's operations and the measures taken by the Ausgrid Group to mitigate the impact are outlined below:

- The Ausgrid Group continues to utilise its existing Business Continuity Management Framework to monitor the impact of COVID-19 developments and ensure timely and co-ordinated communication across the business on all matters relating to network resilience, customer service and the safety and well-being of employees. Since the onset of government COVID-19 restrictions in March 2020, the Ausgrid Group has implemented enterprise wide protocols governing the security of critical infrastructure, physical distancing, hygiene, travel and face-to-face meetings;
- Certain non-essential work that was deferred to allow an increased focus on the maintenance of critical network assets and reduce the likelihood of unplanned outages in the early stages of the COVID-19 pandemic, was gradually reinstated as government COVID-19 restrictions eased across the network area during the year. However, the delivery of non-essential work continues to be under review in order to comply with government restrictions and to respond to the June 2021 COVID-19 outbreak in Greater Sydney;
- Protective measures have been implemented to safeguard the functioning of critical network facilities including the system control rooms and contact centres. Additional controls to limit the spread of COVID-19 include establishing back-up locations and split teams;
- Except for field staff, a significant component of the workforce was transitioned to working from home arrangements at the onset of government COVID-19 restrictions in March 2020 and again in June 2021 in response to the COVID-19 outbreak in Greater Sydney. Between October 2020 and June 2021, the majority of employees that had been working from home returned to work in Ausgrid locations two days a week, with appropriate hygiene and physical distancing protocols in place; and
- Employee development activities have been transitioned to online delivery platforms or reduced physical contact settings to ensure the continuation of mandatory training and compliance activity.

The Recovery Management Team continues to review COVID-19 related processes and documentation to ensure they are fit for purpose and aligned with government COVID-19 restrictions.

(iii) Liquidity

The Ausgrid Group holds a cash balance of \$249 million and undrawn facilities of \$473 million at 30 June 2021. Based on operating cash flow projections at 30 June 2021, management does not anticipate any material impact from COVID-19 on its forecast liquidity position.

2 Use of estimates and judgements (continued)

COVID-19 (continued)

(iv) Expected credit losses

The Ausgrid Group measures the allowance for expected credit losses using an expected credit loss impairment model as required by AASB 9. For the regulated business, the retailer carries the bad debt risk of customers' inability to pay. The Ausgrid Group's regulated revenue is protected from retailer insolvency by a pass-through mechanism which allows recovery of revenue lost due to retailer failure. Management is not aware of any change to the credit ratings of customers of the unregulated business.

(v) Valuation of derivatives and application of hedge accounting

The Ausgrid Group continues to review the appropriateness of the inputs to the valuation of derivatives. This includes the use of the appropriate credit default swap curves to calculate the bilateral credit adjustments that are applied to the valuation of IRS and CCIRS. The market observable inputs are used for the valuation of derivatives and they continue to be deemed level two within the fair value hierarchy in accordance with AASB 13 Fair Value Measurement (**AASB 13**). Refer to Note 26(f) for further details.

In accordance with the Ausgrid Group Treasury Policy, the Ausgrid Group only has derivatives with counterparties that have a minimum long-term credit rating of A- from S&P or A3 from Moody's.

The hedged forecasted cash flows in cash flow hedge relationships remain highly probable. Accordingly, the application of hedge accounting is permissible in accordance with AASB 9.

(vi) Recoverable amount assessments of non-financial assets

Consistent with the Ausgrid Group's accounting policies, the Ausgrid Group has assessed goodwill and property, plant and equipment for impairment. Such assessment incorporated a consideration of COVID-19. No impairment is required as a result of the assessment. Refer to Note 10(a) for further details.

3 Revenue

	2021 \$M	2020 \$M
Revenue components		
DUOS	1,447	1,435
TUOS		
Pass-through	282	247
Non pass-through	46	59
CCF pass-through	131	129
NUOS	1,906	1,870
Transmission	14	19
SCS capital contributions	116	123
Other	1	3
Total SCS revenue	2,037	2,015
Street lighting	32	31
ANS	70	65
Metering	56	56
ACS capital contributions	2	1
Total ACS revenue	160	153
Unregulated revenue	132	121
Total unregulated revenue	132	121
Interest income	1	2
Total other revenue	1	2
Total revenue¹	2,330	2,291

- (1) Revenue billings of \$1,381 million (2020: \$1,426 million) is derived from retailers that individually make up more than 10% of the Ausgrid Group's total revenue and relate to SCS revenue. For the regulated business, the retailer carries the bad debt risk of customers' inability to pay. The Ausgrid Group's regulated revenue is protected from retailer insolvency by a pass-through mechanism which allows recovery of revenue lost due to retailer failure.

4 Expenses

(a) Distribution of energy costs

	2021 \$M	2020 \$M
SCS regulated pass-through costs		
TNSP	292	263
CCF	133	134
Total regulated pass-through costs	425	397
 Total distribution of energy costs	 425	 397

(b) Operating expenses

	2021 \$M	2020 \$M
(i) Operating expenses by nature		
Employee benefits expense	211	245
Superannuation expense (defined benefit plan)	4	1
Superannuation expense (defined contribution plan)	48	51
Reform costs - SCS	29	10
Reform costs - ACS	5	2
Employee benefits expenses	297	309
 Contracted services	 122	 139
IT expenses	63	57
Land and other taxes	27	26
Materials	15	21
Short-term and low-value lease rentals	2	4
Other	15	19
Other expenses	244	266
 Total operating expenses	 541	 575

(ii) Operating expenses by line of business

SCS	387	403
ACS	106	105
Unregulated	48	67
Total operating expenses	541	575

4 Expenses (continued)

(c) Depreciation and amortisation expense

	2021 \$M	2020 \$M
Depreciation of property, plant and equipment	581	555
Amortisation of intangible assets	97	84
Total depreciation and amortisation expense	678	639

(d) Finance costs

	2021 \$M	2020 \$M
Interest expense	435	446
Amortisation of loan transaction costs	23	20
Lease interest	3	3
Capitalised interest	(5)	(6)
Hedge ineffectiveness	(16)	9
Adjustments to the SFA	2	2
Other	4	4
Total finance costs	446	478

5 Taxation

	2021 \$M	2020 \$M
Income tax recognised in other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Changes in the fair value of cash flow hedges	(124)	95
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Defined benefit superannuation actuarial (gain)/loss	(8)	4
Total income tax recognised in other comprehensive income	(132)	99

6 Deferred taxation

	Cash flow hedge reserve \$M	Defined benefit superannuation plan \$M	Total \$M
Balance at 1 July 2019	212	(6)	206
Recognised in other comprehensive income	95	4	99
Balance at 30 June 2020	307	(2)	305
Recognised in other comprehensive income	(124)	(8)	(132)
Balance at 30 June 2021	183	(10)	173

7 Trade and other receivables and contract assets

	2021 \$M	2020 \$M
Current		
Trade receivables	59	74
Less: provision for impairment of trade receivables	(2)	(3)
Other receivables	2	-
Total current trade and other receivables	59	71
 Contract assets		
Unread meters	249	237
Other	28	25
Total current contract assets	277	262
 Non-current		
Other receivables	3	-
Total non-current other receivables	3	-

8 Assets classified as held for sale

	2021 \$M	2020 \$M
Land and buildings	5	4
Total assets classified as held for sale	5	4

9 Property, plant and equipment

	Land and buildings \$M	Network assets \$M	Plant and equipment \$M	Total ¹ \$M
At 30 June 2021				
At cost	815	17,811	714	19,340
Accumulated depreciation	(70)	(2,082)	(257)	(2,409)
Net carrying amount	745	15,729	457	16,931
Year ended 30 June 2021				
Net carrying amount at 1 July 2020	757	15,723	445	16,925
Additions	8	554	92	654
Disposals	-	(61)	(5)	(66)
Depreciation expense	(19)	(487)	(75)	(581)
Assets classified as held for sale	(1)	-	-	(1)
Net carrying amount	745	15,729	457	16,931
At 30 June 2020				
At cost	808	17,318	627	18,753
Accumulated depreciation	(51)	(1,595)	(182)	(1,828)
Net carrying amount	757	15,723	445	16,925
Year ended 30 June 2020				
Net carrying amount at 1 July 2019	763	15,578	394	16,735
Additions	16	620	123	759
Disposals	(4)	(4)	(6)	(14)
Depreciation expense	(18)	(471)	(66)	(555)
Net carrying amount	757	15,723	445	16,925

(1) ROU assets in property, plant and equipment

On 1 December 2016, the Ausgrid Group entered into a 99 year finance lease with the NSW State Government. The underlying leased assets arising from the 99 year finance lease are land and buildings, network assets and plant and equipment. These leased assets have a ROU carrying value of \$16,471 million as at 30 June 2021 and constitute a major portion of the Ausgrid Group's property, plant and equipment. The non-leased assets are land and buildings of \$2 million, network assets of \$14 million, and plant and equipment of \$444 million as at 30 June 2021. The depreciation expense on ROU assets during the year was \$510 million.

Assets under construction

At 30 June 2021, property, plant and equipment include the following assets under construction:

Land and buildings	\$12 million (2020: \$40 million)
Network assets	\$409 million (2020: \$462 million)
Plant and equipment	\$41 million (2020: \$47 million)

9 Property, plant and equipment (continued)

Capital expenditure

	2021 \$M	2020 \$M
SCS capital expenditure		
Augmentation	31	29
Replacement	321	385
Connection	20	32
Reliability	5	5
Non-network and other	51	91
Total SCS capital expenditure	428	542
ACS capital expenditure		
Street lighting and other ACS activities	44	44
Total ACS capital expenditure	44	44
Unregulated capital expenditure		
PLUS ES	77	90
Network Service Provider (NSP)	-	6
Total Unregulated capital expenditure	77	96
Total capital expenditure¹	549	682

(1) The total capital expenditure by line of business of \$549 million is different to the total additions of property, plant and equipment of \$654 million and intangible assets of \$38 million (refer to Note 10). This variance of \$143 million (2020: \$131 million) comprises of capitalised capital contributions of \$126 million (2020: \$136 million), capitalised interest of \$5 million (2020: \$6 million), and an increase of property, plant and equipment resulting from asset related provision movements of \$12 million (2020: \$11 million reduction).

Augmentation capital expenditure relates to new capital investment that expands the network's capacity to deliver electricity that is not connection or reliability capital expenditure.

Replacement capital expenditure relates to the replacement of assets that have reached the end of their serviceable or technical life, or have condition issues that necessitate the replacement of the asset.

Connection capital expenditure relates to new capital expenditure required to connect new customers, with the majority of connection related works funded by customers under a contestable framework.

Reliability capital expenditure relates to capital expenditure that improves network reliability in specific areas.

Non-network and other capital expenditure relates to the spend required to support the businesses operation and includes information technology, property and fleet.

ACS capital expenditure relates to the installation of new street lighting assets, replacement of street lighting assets and a proportion of non-network and other capital expenditure that supports the ACS line of business.

Unregulated capital expenditure relates to investments within the Ausgrid Group's unregulated business including contestable meters and electrical and telecommunication infrastructure, and a proportion of non-network and other capital expenditure that supports the unregulated line of business.

10 Intangible assets

	Network assets \$M	Customer contracts \$M	Computer software \$M	Goodwill \$M	Total \$M
At 30 June 2021					
At cost	1,687	4	456	2,135	4,282
Accumulated amortisation	(76)	(3)	(273)	-	(352)
Accumulated impairment	-	-	-	(348)	(348)
Net carrying amount	1,611	1	183	1,787	3,582
Year ended 30 June 2021					
Net carrying amount at 1 July 2020	1,628	2	224	1,787	3,641
Additions	-	-	38	-	38
Amortisation expense	(17)	(1)	(79)	-	(97)
Net carrying amount	1,611	1	183	1,787	3,582
At 30 June 2020					
At cost	1,687	4	418	2,135	4,244
Accumulated amortisation	(59)	(2)	(194)	-	(255)
Accumulated impairment	-	-	-	(348)	(348)
Net carrying amount	1,628	2	224	1,787	3,641
Year ended 30 June 2020					
Net carrying amount 1 July 2019	1,645	3	236	1,787	3,671
Additions	-	-	54	-	54
Amortisation expense	(17)	(1)	(66)	-	(84)
Net carrying amount	1,628	2	224	1,787	3,641

Assets under construction

At 30 June 2021, assets under construction included in intangible assets related to computer software of \$16 million (2020: \$21 million).

(a) Impairment test of goodwill

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Ausgrid Group has two CGUs, the NSP (comprising AAP and AOP) and PLUS ES. The recoverable amount of each CGU has been determined based on the FVLCO approach.

In applying the FVLCO approach, the recoverable amount of each CGU is assessed using a discounted cash flow methodology. The cash flow forecasts are based on the latest business plans up to 30 June 2026 and the long-term corporate model for future years. These cash flows are then discounted using a relevant long-term post-tax discount rate. The discount rate is determined based on post-tax weighted average cost of capital using market based inputs.

This is considered to be level 3 in the fair value hierarchy, as some of the inputs are based on non-market observable inputs.

10 Intangible assets (continued)

(a) Impairment test of goodwill (continued)

Goodwill is allocated to CGUs as follows:

	2021 \$M	2020 \$M
NSP	1,722	1,722
PLUS ES	65	65
Total	1,787	1,787

(i) NSP CGU

The NSP CGU carrying value was supported by its recoverable amount and no impairment exists at 30 June 2021 (2020: \$nil impairment). The key assumptions used in the discounted cash flow analysis were:

- Post-tax discount rate of 6.00% (2020: 6.10%);
- Terminal value Regulated Asset Base (**RAB**) multiple of 1.3x for SCS (2020: 1.3x) and a multiple of 29.3x (2020: 28.5x) applied to ACS and unregulated business terminal year cash flows;
- Terminal growth rate of 2.5% (2020: 2.5%); and
- Cash flow horizon of 30 years (2020: 30 years). Cash flow forecasts include assumptions related to growth in revenue, operating expenditure and capital expenditure, with the growth assumption primarily driven by the assumptions in the regulatory building block model, with growth being a function of the RAB and the allowable return from the AER in the current regulatory period (1 July 2019 to 30 June 2024) and expected future returns in years after 30 June 2024.

(ii) PLUS ES CGU

The PLUS ES CGU carrying value was supported by its recoverable amount and no impairment exists at 30 June 2021 (2020: \$nil impairment). The key assumptions used in the discounted cash flow analysis were:

- Post-tax discount rate of 8.10% (2020: 8.50%);
- Terminal growth rate of 3.0% (2020: 3.0%); and
- Cash flow horizon of 20 years (2020: 20 years). Cash flow forecasts include assumptions related to growth in revenue, operating expenditure and capital expenditure.

(b) Sensitivity to changes in assumptions

(i) NSP CGU

Had the NSP CGU applied a discount rate that was 5% higher or 5% lower than the 6.00% applied (i.e. 6.30% or 5.70%), the following fair values would have resulted:

Discount sensitivity	+5%	Recoverable amount	-5%
NSP (\$M)	\$21,219	\$19,826	\$23,881

Had the NSP CGU applied a RAB multiple rate that was 0.1x higher or 0.1x lower than the 1.3x applied (i.e. 1.4x or 1.2x), the following fair values would have resulted:

RAB multiple sensitivity	-0.1x	Recoverable amount	+0.1x
NSP (\$M)	\$21,831	\$19,826	\$23,149

(ii) PLUS ES CGU

There is no foreseeable change to the PLUS ES CGU key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount.

11 Trade and other payables

	2021 \$M	2020 \$M
Current		
Trade payables	74	83
Interest payable	106	110
Accruals	39	24
Other payables	48	49
Total current trade and other payables	267	266

12 Borrowings

	2021 \$M	2020 \$M
Current		
Lease liabilities	-	3
Total current lease liabilities	-	3
A\$ denominated interest bearing loans	1,367	-
Less: Transaction costs	(3)	-
Total current loans	1,364	-
	12(a)	
Total current borrowings	1,364	3
Non-current		
Lease liabilities	29	25
Total non-current lease liabilities	29	25
A\$ denominated interest bearing loans	3,647	6,707
A\$ denominated interest bearing notes	2,771	1,593
US\$ denominated interest bearing notes	3,774	4,389
EUR denominated interest bearing notes	1,074	1,125
Less: Transaction costs	(58)	(79)
Total non-current loans and notes	11,208	13,735
	12(a)	
Total non-current borrowings	11,237	13,760

AMTN

On 29 July 2020, the Ausgrid Group priced a \$1 billion senior secured medium term note issue in the AMTN market. This comprised \$750 million of fixed rate notes at a yield and coupon of 1.814% with a tenor of 6.5 years and \$250 million of floating rate notes at BBSW+1.100% with a tenor of 3.5 years. The net proceeds were used to repay the Capex Facility C (\$200 million) and Facility B2 (\$797 million) of the SFA.

On 17 February 2021, the Ausgrid Group priced a \$220 million senior secured medium term note issue in the AMTN market. This comprised \$220 million of floating rate notes at BBSW+1.000% with a tenor of five years. The net proceeds were used to repay Facility B2 (\$220 million) of the SFA.

12 Borrowings (continued)

(a) Loans and notes

	Drawdown ¹ \$M	Foreign exchange movements ² \$M	Fair value adjustments ³ \$M	Transaction costs \$M	Carrying value \$M
30 June 2021					
Fixed rate notes					
10 year US\$770M USPP	966	58	67	(4)	1,087
12 year US\$430M USPP	540	32	43	(3)	612
15 year US\$430M USPP	540	32	52	(4)	620
10 year A\$29M USPP	29	-	-	-	29
12 year A\$103M USPP	103	-	-	(1)	102
15 year A\$88M USPP	88	-	-	(1)	87
7 year A\$750M AMTN	750	-	51	(3)	798
6.5 year A\$750M AMTN	750	-	(20)	(2)	728
7.25 year EUR650M	1,037	(8)	45	(3)	1,071
5 year US\$500M 144A	659	7	32	(2)	696
10.25 year US\$500M 144A	659	7	80	(7)	739
	6,121	128	350	(30)	6,569
Floating rate notes and facilities					
15 year A\$100M USPP	100	-	-	(1)	99
7 year A\$450M AMTN	450	-	-	(1)	449
5 year A\$220M AMTN	220	-	-	-	220
3.5 year A\$250M AMTN	250	-	-	(1)	249
Syndicated Facility Agreement ⁴	3,367	-	(3)	(16)	3,348
Asian Syndicated Facility (ASF)	1,650	-	-	(12)	1,638
	6,037	-	(3)	(31)	6,003
Total loans and notes	12,158	128	347	(61)	12,572

- (1) The drawdown represents A\$ denominated loans and notes or, in regards to foreign currency denominated notes, the A\$ equivalent translated at the hedged rate at inception.
- (2) This relates to foreign exchange movements from the date of original drawdown of non AUD notes to 30 June 2021.
- (3) The fair value adjustment of \$347 million (2020: \$685 million) is made up of a hedge accounting adjustment of \$350 million (2020: \$689 million) due to interest rate movements, offset by a net gain on the amend and extend of the SFA, which occurred on 9 October 2018, of \$3 million (2020: \$4 million).
- (4) Syndicated Facility Agreement includes Facilities B1, B4, B5, C and D. The original drawdown of the SFA was \$11,931 million. This was reduced to \$3,367 million due to repayments of \$9,518 million, partially offset by additional drawdowns of \$954 million since the inception of the SFA.

12 Borrowings (continued)

(a) Loans and notes (continued)

	Drawdown \$M	Foreign exchange movements \$M	Fair value adjustments \$M	Transaction costs \$M	Carrying value \$M
30 June 2020					
Fixed rate notes					
10 year US\$770M USPP	966	156	139	(5)	1,256
12 year US\$430M USPP	540	87	96	(3)	720
15 year US\$430M USPP	540	87	123	(4)	746
10 year A\$29M USPP	29	-	-	-	29
12 year A\$103M USPP	103	-	-	(1)	102
15 year A\$88M USPP	88	-	-	(1)	87
7 year A\$750M AMTN	750	-	73	(4)	819
7.25 year EUR650M	1,037	27	61	(4)	1,121
5 year US\$500M 144A	659	70	55	(3)	781
10.25 year US\$500M 144A	659	70	142	(8)	863
	5,371	497	689	(33)	6,524
Floating rate notes and facilities					
15 year A\$100M USPP	100	-	-	(1)	99
7 year A\$450M AMTN	450	-	-	(1)	449
Syndicated Facility Agreement	5,061	-	(4)	(30)	5,027
Asian Syndicated Facility	1,650	-	-	(14)	1,636
	7,261	-	(4)	(46)	7,211
Total loans and notes	12,632	497	685	(79)	13,735

12 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit \$M	Drawn \$M	Undrawn \$M	Rate in currency of issue ¹
30 June 2021					
10 year US\$770M USPP fixed rate	1 Oct 27	1,024	1,024	-	3.500%
12 year US\$430M USPP fixed rate	1 Oct 29	572	572	-	3.600%
15 year US\$430M USPP fixed rate	1 Oct 32	572	572	-	3.750%
10 year A\$29M USPP fixed rate	1 Oct 27	29	29	-	4.445%
12 year A\$103M USPP fixed rate	1 Oct 29	103	103	-	4.615%
15 year A\$88M USPP fixed rate	1 Oct 32	88	88	-	4.857%
15 year A\$100M USPP floating rate	1 Oct 32	100	100	-	BBSW+1.800%
Total USPP notes		2,488	2,488	-	
7 year A\$750M AMTN fixed rate	30 Oct 24	750	750	-	3.750%
7 year A\$450M AMTN floating rate	30 Oct 24	450	450	-	BBSW+1.220%
6.5 year A\$750M AMTN fixed rate	5 Feb 27	750	750	-	1.814%
5 year A\$220M AMTN floating rate	24 Feb 26	220	220	-	BBSW+1.000%
3.5 year A\$250M AMTN floating rate	5 Feb 24	250	250	-	BBSW+1.100%
Total AMTN		2,420	2,420	-	
5 year US\$500M 144A fixed rate	1 May 23	666	666	-	3.850%
10.25 year US\$500M 144A fixed rate	1 Aug 28	666	666	-	4.350%
Total US144A notes		1,332	1,332	-	
7.25 year EUR650M fixed rate	30 Jul 25	1,029	1,029	-	1.250%
Total EMTN		1,029	1,029	-	
SFA Term Facility B1	1 Jun 22	917	917	-	BBSY+0.800%
SFA Term Facility B4	1 Dec 23	1,400	1,400	-	BBSY+1.050%
SFA Term Facility B5	1 Dec 25	600	600	-	BBSY+1.300%
ASF 7 year Term Facility	2 Jul 26	1,400	1,400	-	BBSY+1.300%
ASF 10 year Term Facility	2 Jul 29	250	250	-	BBSY+1.550%
Total term loans		4,567	4,567	-	
Capex Facility C	1 Jun 22	721	343	378	BBSY+0.800%
Working Capital Facility D ²	1 Jun 22	250	107	143	BBSY+0.800%
Total liquidity		971	450	521	
Total³		12,807	12,286	521	

- (1) The rates listed are those that apply to each instrument in its respective currency of issuance. The Bank Bill Swap Rate (BBSW/BBSY) is a floating short-term benchmark interest rate. Market convention is that BBSY is typically 0.05% higher than BBSW.
- (2) In addition to the \$107 million drawn under the Working Capital Facility D, \$48 million of bank guarantees have been issued under the facility (refer to Note 23) and the unutilised funds available under the Working Capital Facility D is \$95 million.
- (3) The weighted average interest for the year ended 30 June 2021 was 3.50% (2020: 3.56%).

12 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit \$M	Drawn \$M	Undrawn \$M	Rate in currency of issue
30 June 2020					
10 year US\$770M USPP fixed rate	1 Oct 27	1,122	1,122	-	3.500%
12 year US\$430M USPP fixed rate	1 Oct 29	627	627	-	3.600%
15 year US\$430M USPP fixed rate	1 Oct 32	627	627	-	3.750%
10 year A\$29M USPP fixed rate	1 Oct 27	29	29	-	4.445%
12 year A\$103M USPP fixed rate	1 Oct 29	103	103	-	4.615%
15 year A\$88M USPP fixed rate	1 Oct 32	88	88	-	4.857%
15 year A\$100M USPP floating rate	1 Oct 32	100	100	-	BBSW+1.800%
Total USPP notes		2,696	2,696	-	
7 year A\$750M AMTN fixed rate	30 Oct 24	750	750	-	3.750%
7 year A\$450M AMTN floating rate	30 Oct 24	450	450	-	BBSW+1.220%
Total AMTN		1,200	1,200	-	
5 year US\$500M 144A fixed rate	1 May 23	729	729	-	3.850%
10.25 year US\$500M 144A fixed rate	1 Aug 28	729	729	-	4.350%
Total US144A notes		1,458	1,458	-	
7.25 year EUR650M fixed rate	30 Jul 25	1,064	1,064	-	1.250%
Total EMTN		1,064	1,064	-	
SFA Term Facility B1	1 Jun 22	917	917	-	BBSY+0.800%
SFA Term Facility B2	1 Dec 21	1,424	1,424	-	BBSY+1.350%
SFA Term Facility B4	1 Dec 23	1,400	1,400	-	BBSY+1.050%
SFA Term Facility B5	1 Dec 25	600	600	-	BBSY+1.300%
ASF 7 year Term Facility	2 Jul 26	1,400	1,400	-	BBSY+1.300%
ASF 10 year Term Facility	2 Jul 29	250	250	-	BBSY+1.550%
Total term loans		5,991	5,991	-	
Capex Facility C	1 Jun 22	721	693	28	BBSY+0.800%
Working Capital Facility D	1 Jun 22	250	27	223	BBSY+0.800%
Total liquidity		971	720	251	
Total		13,380	13,129	251	

12 Borrowings (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 July 2020	Cash flows	Non-cash changes				30 June 2021
			Fair value adjustments	Foreign exchange movements	Amortisation	Acquisition	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
A\$ denominated interest bearing loans	6,707	(1,694)	1	-	-	-	5,014
A\$ denominated interest bearing notes	1,593	1,220	(42)	-	-	-	2,771
US\$ denominated interest bearing notes	4,389	-	(281)	(334)	-	-	3,774
EUR denominated interest bearing notes	1,125	-	(16)	(35)	-	-	1,074
Transaction costs	(79)	(5)	-	-	23	-	(61)
Lease liabilities	28	(4)	-	-	3	2	29
Total liabilities from financing activities	13,763	(483)	(338)	(369)	26	2	12,601

	1 July 2019	Cash flows	Non-cash changes				30 June 2020
			Fair value adjustments	Foreign exchange movements	Amortisation	Acquisition	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
A\$ denominated interest bearing loans	6,462	243	2	-	-	-	6,707
A\$ denominated interest bearing notes	1,576	-	17	-	-	-	1,593
US\$ denominated interest bearing notes	3,912	-	393	84	-	-	4,389
EUR denominated interest bearing notes	1,115	-	-	10	-	-	1,125
Transaction costs	(83)	(16)	-	-	20	-	(79)
Lease liabilities	21	(3)	-	-	3	7	28
Total liabilities from financing activities	13,003	224	412	94	23	7	13,763

13 Provisions

	Employee benefits \$M	Restructuring \$M	Workers compensation and legal \$M	Other \$M	Total \$M
Balance at 1 July 2020	319	2	31	47	399
Additional provision	140	27	8	15	190
Amounts used	(148)	(25)	(7)	(3)	(183)
Amount reversed	(25)	-	-	(1)	(26)
At 30 June 2021	286	4	32	58	380
Current	249	4	10	12	275
Non-current	37	-	22	46	105
At 30 June 2021	286	4	32	58	380
Balance at 1 July 2019	329	110	28	63	530
Additional provision	140	2	10	1	153
Amounts used	(149)	(105)	(7)	(4)	(265)
Amount reversed	(1)	(5)	-	(13)	(19)
At 30 June 2020	319	2	31	47	399
Current	252	2	7	19	280
Non-current	67	-	24	28	119
At 30 June 2020	319	2	31	47	399

(a) Employee benefits

The provision for employee benefits relates to amounts accruing to employees up to the reporting date in respect of annual leave, bonus, preserved sick leave, superannuation, supplementary superannuation, long service leave and defined benefit plan. Amounts provided for in relation to long service leave, preserved sick leave, supplementary superannuation and defined benefit plan are based on actuarial assessments.

Employee benefit amounts expected to be settled within 12 months have been measured at the amounts expected to be paid when the liabilities are settled. The non-current provision for employee benefits includes \$nil million relating to the defined benefit plan liability (2020: \$25 million). Refer to Note 18 for details.

(b) Restructuring

The Ausgrid Group is continuing its Transformation Program, which has resulted in a significant reorganisation of functions, including a reduction in headcount. The restructuring provision reflects the costs of redundancy payments expected to be made when impacted employees exit the organisation.

(c) Workers compensation and legal

The Ausgrid Group is a self-insurer for workers compensation and meets all liabilities under the workers compensation legislation in NSW and other states. The provision covers claims incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims.

A bank guarantee is held for security and can be drawn down in the event of a default. Refer to Note 23 for details.

13 Provisions (continued)

(d) Other

Other provisions mainly consist of provisions for future Polychlorinated Biphenyls (**PCB**) disposal costs, costs relating to decommissioning assets and make good.

(i) Provision for PCB disposal costs

This provision reflects future PCB disposal costs at the end of life of network equipment where there is a legislative obligation.

The provision as at 30 June 2021 was \$20 million (2020: \$18 million) and reflects an estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. Future disposal costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future disposal costs is capitalised and is depreciated in accordance with the policy set out in Note 1(t). The unwinding of the effect of discounting the provision is recognised as a finance cost.

(ii) Provision for costs relating to decommissioning assets

The provision to cover the expected future costs associated with decommissioning the Ausgrid Group's network assets as at 30 June 2021 was \$34 million (2020: \$24 million). Future costs are reviewed annually and any changes are reflected in the present value of the provision at the end of the reporting period.

The amount of the provision for future asset decommissioning costs is capitalised and is depreciated in accordance with the policy set out in Note 1(t). The unwinding of the effect of discounting the provision is recognised as a finance cost.

14 Other liabilities and contract liabilities

	2021 \$M	2020 \$M
Current		
Deposits	1	2
Deferred revenue	4	3
Total current other liabilities	5	5
 Current contract liabilities		
Deferred street lighting revenue	3	2
Street lighting capital contribution	2	1
Development rights agreement	1	-
Other	2	3
Total current contract liabilities	8	6
 Non-current contract liabilities		
Street lighting capital contribution	31	22
Deferred street lighting revenue	26	14
Development rights agreement	7	-
Total non-current contract liabilities	64	36

14 Other liabilities and contract liabilities (continued)

During the year, \$3 million revenue relating to street lighting (both street lighting capital contributions and deferred street lighting revenue) was recognised (2020: \$2 million) that was included in the contract liabilities balance on 1 July 2020.

15 Derivatives

	2021 \$M	2020 \$M
Non-current asset		
IRS	117	81
CCIRS	393	1,065
Total non-current derivative financial assets	<u>510</u>	<u>1,146</u>
Total derivative financial assets	<u>510</u>	<u>1,146</u>
Non-current liability		
IRS	(632)	(991)
Total non-current derivative financial liabilities	<u>(632)</u>	<u>(991)</u>
Total derivative financial liabilities	<u>(632)</u>	<u>(991)</u>
Net derivative financial (liabilities)/assets	<u>(122)</u>	<u>155</u>

16 Partner capital

	AOP		AAP		PLUS ES	
	Number	\$M	Number	\$M	Number ¹	\$M
30 June 2021						
Ordinary capital interest	504	865	504	3,538	4,612	92
A class capital interest	496	851	496	3,483	4,538	91
Total contributed equity	<u>1,000</u>	<u>1,716</u>	<u>1,000</u>	<u>7,021</u>	<u>9,150</u>	<u>183</u>

30 June 2020						
Ordinary capital interest	504	865	504	3,538	4,612	92
A class capital interest	496	851	496	3,483	4,538	91
Total contributed equity	<u>1,000</u>	<u>1,716</u>	<u>1,000</u>	<u>7,021</u>	<u>9,150</u>	<u>183</u>

(1) The number of interests for PLUS ES is in millions.

(a) Partner capital

Ordinary capital interest

Ordinary capital interests of AOP, AAP and PLUS ES were issued to Blue Op Partner Pty Limited as trustee for Blue Op Partner Trust (**Blue AOP**) and Blue Asset Partner Pty Limited as trustee for Blue Asset Partner Trust (**Blue AAP**) on 20 October 2016 and Blue PLUS ES Partner Pty Limited as trustee for Blue PLUS ES Partner Trust (**Blue PLUS ES**) on 1 November 2017. Blue AOP, Blue AAP and Blue PLUS ES are controlled by a consortium led by IFM Investors and AustralianSuper. The interests are classified as equity and are fully paid.

16 Partner capital (continued)

(a) Partner capital (continued)

A class capital interest

A class capital interest of AOP, AAP and PLUS ES were issued to four separate Electricity Retained Interest Corporation vehicles (**ERIC Partners**) controlled by the NSW State Government on 20 October 2016 for AOP and AAP and 1 November 2017 for PLUS ES. An A class interest will be automatically converted to an ordinary interest when it is held by an entity other than ERIC Partners. The rights and obligations attaching to A class capital interests and ordinary capital interests are identical except for the attached voting rights. The interests are classified as equity and are fully paid.

(b) Partnership liability

Each Partner is responsible for discharging the liabilities of AOP, AAP and PLUS ES in proportion with their respective Partnership interest.

(c) Distribution

Each Partner is entitled to distributions in proportion with their respective Partnership interests. All distributions are subject to approval by the Partnership Board. In accordance with the Partnership Deed, a quarterly distribution of a minimum of 85% of surplus cash will be distributed to Partners, unless Directors make a unanimous determination to distribute a lesser amount in respect of a particular quarter.

Surplus cash is calculated as the operating cash flows of the Partnership for the quarter; less growth and maintenance capital expenditure for the quarter; less interest and debt repayments for the quarter (including any voluntary prepayments); plus the proceeds from debt drawdowns or refinancing undertaken in the quarter; plus proceeds from the sale of any assets in the quarter.

17 Retained earnings

	AOP \$M	AAP \$M	PLUS ES \$M	Total \$M
Balance at 1 July 2020	(262)	(612)	(28)	(902)
Profit for the year	168	60	6	234
Balance at 30 June 2021	(94)	(552)	(22)	(668)
 Balance at 1 July 2019	 (476)	 (566)	 (22)	 (1,064)
Profit/(loss) for the year	244	(46)	(6)	192
Distributions paid	(30)	-	-	(30)
Balance at 30 June 2020	(262)	(612)	(28)	(902)

18 Superannuation - defined benefit plan

The Ausgrid Group has a Defined Benefit Superannuation Plan (**the Fund**) covering a number of employees, which requires contributions to be made to a separately administered fund.

(a) Nature of the benefits provided by the Fund

The Scheme is divided into seven divisions, of which Divisions B, C and D provide defined benefits, that is at least a component of the final benefit which is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. Divisions B, C and D are closed to new members except for members of eligible schemes who can transfer their entitlements into the Scheme.

18 Superannuation - defined benefit plan (continued)

(a) Nature of the benefits provided by the Fund (continued)

Disclosures below are prepared in relation to Divisions B, C and D only. These Divisions are referred to collectively as 'the Fund'.

(b) Risk exposure

There are a number of risks to which the Fund exposes the Ausgrid Group. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Ausgrid Group will need to increase contributions to offset any shortfall.
- Longevity risk - The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The Scheme assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(c) Reconciliation of the net defined benefit liability

The following table summarises the components of net benefit expense recognised in profit or loss, actuarial gains and losses recognised in other comprehensive income and funded status and amounts recognised in the statement of financial position.

18 Superannuation - defined benefit plan (continued)

(c) Reconciliation of the net defined benefit liability (continued)

	Present value of obligations \$M	Fair value of Fund assets \$M	Total \$M
At 1 July 2020	(290)	265	(25)
Current service cost	(4)	-	(4)
Interest (expense)/income	(8)	7	(1)
Settlements	20	(19)	1
Defined benefit superannuation income/(expense) recognised in profit or loss	8	(12)	(4)
Contributions by the Fund participants:			
Employers	-	5	5
Fund participants	(2)	2	-
	(2)	7	5
Remeasurements:			
Return on Fund assets, excluding amounts included in interest income	-	32	32
Loss from change in financial assumptions	(3)	-	(3)
Loss from change in liability experience	(5)	-	(5)
Defined benefit superannuation actuarial (loss)/gain recognised in other comprehensive income	(8)	32	24
Benefits paid	20	(20)	-
Tax and expenses paid	1	(1)	-
	21	(21)	-
At 30 June 2021	(271)	271	-

18 Superannuation - defined benefit plan (continued)

(d) Fair value of Fund assets

The fair value of Fund assets, provided by the Trustee of the Scheme, is for the total assets of Divisions B, C and D of the Scheme and comprise of defined benefit and defined contribution assets for all participating employers. The value of defined benefit assets attributable to the Ausgrid Group cannot be separately disclosed. Refer to Note 26(f) for details on fair value hierarchy.

Asset category	Total \$M	Quoted price in active markets for identical assets	Significant observable input	Unobservable input
		Level 1 \$M	Level 2 \$M	Level 3 \$M
At 30 June 2021				
Energy Investment Fund	2,012	-	2,012	-
At 30 June 2020				
Energy Investment Fund	1,835	-	1,835	-

(e) Significant actuarial assumptions at the reporting date

Expected salary increase rate (excluding promotional increase)	2.00% for 2021/22; 2.25% for 2022/23; 2.50% for 2023/24; and 2.75% pa thereafter (2020: 2.25% pa)
Rate of Consumer Price Index (CPI) increase	1.48% for 2021/22; 1.81% for 2022/23; 2.25% for 2023/24; 2.26% for 2024/25; 2.35% for 2025/26 and 2.50% pa thereafter (2020: 0.93% for 2020/21; 1.21% for 2021/22; 1.61% for 2022/23; 2.08% for 2023/24; 2.35% for 2024/25 and 2.50% pa thereafter)
Discount rate	2.98% pa (2020: 2.85% pa)
Pensioner mortality	The pensioner mortality rates used are as per the triennial valuation of the Scheme as at 30 June 2018. The pension mortality rates are based on experience of the NSW public sector.

19 Key management personnel compensation

The Ausgrid Group defines key management personnel as those having authority and responsibility for planning, directing and controlling the activities of the Ausgrid Group as well as the Directors of the Ausgrid Group. Key management personnel comprise the Non-Executive Directors of AOP, AAP and PLUS ES as well as the Ausgrid Group's executive leadership team. Although the Non-Executive Directors are listed below, they do not have management responsibility.

Non-Executive Directors

Dr Helen Nugent AO

Ashley Barker

Belinda Gibson

Jason Peasley

Michael Byrne

Michael Hanna

Robert Wright

Steven MacDonald

Wendy Thorpe

The above are Non-Executive Directors of AOP, AAP and PLUS ES. In addition to the above, Hugh Gleeson is a Non-Executive Director of AOP and AAP. Derek Chu was a Non-Executive Director of PLUS ES through to 5 November 2020 (resigned). Terry Sinclair was appointed as a Non-Executive Director of PLUS ES on 5 November 2020.

Key management personnel remuneration

In addition to their salaries, the Ausgrid Group also provides post-employment benefits to key management personnel. In the case of the Non-Executive Directors, apart from the Chairman, remuneration is paid by the relevant Partner.

On that basis, the remuneration of the key management personnel was:

	2021 \$	2020 \$
Short-term employee benefits	10,447,676	9,632,222
Long-term benefits	3,601,784	4,185,849
Termination benefits	1,611,963	443,205
Post-employment benefits	306,205	282,727
	15,967,628	14,544,003

20 Remuneration of auditors

During the year, the following fees were paid, or payable for, services provided by PricewaterhouseCoopers Australia, the auditor of the Ausgrid Group:

(i) *Audit and other assurance services*

	2021 \$	2020 \$
Audit and review of financial statements	935,125	909,683
Other assurance services		
Regulatory audit services	256,839	262,258
Review of debt offering documents	100,000	-
IT review	50,000	-
Total remuneration for audit and other assurance services	1,341,964	1,171,941

(ii) *Other non-assurance services*

Workshops and training services	-	25,107
Tax compliance services	108,500	93,500
Total remuneration for other non-assurance services	108,500	118,607

Total remuneration	1,450,464	1,290,548
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21 Capital expenditure commitments

Commitments for the acquisition of property, plant and equipment and intangible assets not recognised in the consolidated financial statements at the reporting date is as follows:

	2021 \$M	2020 \$M
Within one year	135	138
Later than one year but no later than five years	14	53
	149	191

22 Leases

Lease receivables - leases as lessor

The Ausgrid Group leases out its properties, including premises, land and network assets, under lease agreements at market rentals, predominantly on a fixed term basis. The future minimum lease receivables under non-cancellable leases are as follows:

	2021 \$M	2020 \$M
Within one year	4	7
Later than one year but no later than five years	4	6
Later than five years	5	5
	13	18

23 Contingent liabilities and contingent assets

	2021 \$M	2020 \$M
Contingent liabilities		
Guarantees provided to regulatory and statutory authorities	43	35
Guarantees provided to external parties	5	5
	48	40
Contingent assets		
Potential recoveries from workers compensation claims	1	-
	1	-

The guarantees provided to regulatory and statutory authorities relate to bank guarantees in place in relation to the Ausgrid Group's self-insured workers compensation.

24 Group entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policies described in Note 1 for which AOP is the parent entity. All entities are incorporated in Australia.

Name of entity

AAP
 Ausgrid Management Pty Limited (**AMPL**)
 Ausgrid Finance Pty Limited (**AFPL**)
 PLUS ES
 PLUS ES Management 1 Pty Limited (**PESM1**)
 PLUS ES Management 2 Pty Limited (**PESM2**)
 Active Stream Pty Limited (**Active Stream**)

25 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	2021 \$M	2020 \$M
Profit for the year	234	192
Add/(less) non-cash items:		
Depreciation and amortisation	678	639
Non-cash capital contributions	(117)	(123)
Unwinding of government grants	(1)	(1)
Amortisation of loan transaction costs	23	20
Hedge ineffectiveness	(16)	9
Capitalised interest	(5)	(6)
Interest accrual	(4)	-
Adjustments to SFA	2	2
Net loss on disposal of property, plant and equipment	6	10
Changes in assets and liabilities:		
Trade and other receivables	9	-
Contract assets	(15)	64
Prepayments	(8)	(4)
Inventories	8	7
Trade and other payables	(4)	(33)
Contract liabilities	20	9
Provisions	(8)	(126)
Other liabilities	-	1
Net cash inflow from operating activities	802	660

26 Financial risk management

(a) Financial risk management objectives and policies

The Ausgrid Group is involved in activities that expose it to a variety of financial risks including credit risk, fair value risk, interest rate risk and currency risk. In accordance with Board approved policies, financial instruments may be used to hedge the exposure to fluctuations in exchange rates and interest rates.

The Ausgrid Group manages exposure to key financial risks including credit risk, currency risk, interest rate risk, and liquidity risk, in accordance with the Board approved financial risk management policies. The Board reviews and approves policies for managing each of the key financial risks.

Management of financial risk is carried out by a centralised treasury function which operates under Board approved policies. In addition to the centralised treasury function, external support is acquired from experts in various fields. The Board approved Ausgrid Group Treasury Policy provides clear guidelines in respect of the management of the financial risks of the Ausgrid Group and is designed to reflect the strategic risk management objectives of the Board.

The objective of the Ausgrid Group's financial risk management strategy is to protect the Ausgrid Group's cash flows, profitability and reputation and use reasonable endeavours to maintain a bbb/baa2 baseline credit assessment and not less than bbb-/baa3 (S&P Global Ratings and/or Moody's Investor Services). This includes the need to ensure that sufficient liquidity is available to fund its strategic business plans. Identification and analysis of relevant financial risks and their impact on the achievement of the Ausgrid Group's objectives forms the basis for determining how such risks should be managed. The forecast financial position for the Ausgrid Group is regularly monitored and financial instruments may be used within approved guidelines to hedge exposure to fluctuations in interest rates and exchange rates.

26 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of sustaining a financial loss as a result of the default by a counterparty to make full and timely payments on transactions which have been executed, after allowing for set-offs which are legally enforceable.

The credit risk on financial assets of the Ausgrid Group which have been recognised on the consolidated statement of financial position is the carrying amount, net of any expected credit losses.

Credit risk arises from investments in cash and cash equivalents with banks, derivative financial instruments and credit exposure to customers and/or suppliers. Credit risk also arises from bank facilities which offer committed lines of credit, overdraft facilities, transaction banking services and financial guarantees, which may not be honoured when relied upon. The Ausgrid Group's credit exposure is predominantly with investment grade rated corporations or government owned entities in the energy industry. Where a counterparty is a non-government owned corporation, its credit worthiness is monitored in accordance with the Ausgrid Group Treasury Policy.

The Ausgrid Group Treasury Policy outlines how credit risk exposure will be measured. All credit and recovery risks associated with trade receivables have been provided for in the financial statements.

The credit risk on trade and other receivables and accrued income from unread meters of the Ausgrid Group that have been recognised in the consolidated statement of financial position, is generally the carrying amount net of any impairment provision.

There is no significant credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The loss allowance provision as at 30 June 2021 is determined as follows. The expected credit losses below also incorporate forward looking information:

	Current	Less than 3 months past due	3 to 6 months past due	Later than 6 months past due	Total
2021					
Expected loss rate	0.15%	6.96%	17.54%	20.20%	
Gross carrying amount (\$M)	327	7	3	4	341
Loss allowance provision (\$M)	-	-	(1)	(1)	(2)
Net receivables and contract assets	327	7	2	3	339
2020					
Expected loss rate	0.11%	3.71%	9.71%	7.21%	
Gross carrying amount (\$M)	299	17	8	12	336
Loss allowance provision (\$M)	-	(1)	(1)	(1)	(3)
Net receivables and contract assets	299	16	7	11	333

(c) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Ausgrid Group may also be exposed to foreign currency risk in respect of purchases of capital equipment that are denominated in a currency other than AUD.

26 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The Ausgrid Group uses forward exchange contracts and CCIRS to hedge its foreign currency risk for all foreign exchange exposures that exceed \$5 million in value.

The Ausgrid Group may issue debt in a foreign currency and uses CCIRS contracts to hedge foreign currency risk arising from the foreign currency debt.

Sensitivity

The Ausgrid Group is primarily exposed to changes in US\$/A\$ and EUR/A\$ exchange rates. The sensitivity of profit or loss and other components of equity to changes in the spot exchange rates arises from USD and EUR denominated financial instruments designated in cash flow hedges.

	Impact on post-tax profit		Impact on other components of equity	
	2021	2020	2021	2020
	\$M	\$M	\$M	\$M
US\$/A\$ exchange rate - increase 10% ¹	5	-	(16)	21
US\$/A\$ exchange rate - decrease 10% ¹	(7)	-	27	(24)
EUR/A\$ exchange rate - increase 10% ¹	-	-	-	3
EUR/A\$ exchange rate - decrease 10% ¹	(1)	-	2	(4)

(1) Holding all other variables constant

The Ausgrid Group has USD and EUR denominated foreign currency borrowings. The effects of the foreign currency related hedging instruments on the Ausgrid Group's financial position and performance are as follows:

Derivative financial instruments - CCIRS (USPP and US144A)

	2021	2020
Carrying amount (\$M)	105	461
Notional amount in USD (\$M)	2,630	2,630
	May 2023 - Oct 2032	May 2023 - Oct 2032
Maturity	2032	2032
Hedge ratio	1:1	1:1
Change in value of hedged item used to determine hedge effectiveness (\$M)	142	511
Change in value of derivative used to determine hedge effectiveness (\$M)	121	472
Weighted average hedge rate for the year	0.78	0.78

Derivative financial instruments - CCIRS (EMTN)

Carrying amount (\$M)	(36)	4
Notional amount in EUR (\$M)	650	650
Maturity	Jul 2025	Jul 2025
Hedge ratio	1:1	1:1
Change in value of hedged item used to determine hedge effectiveness (\$M)	(15)	20
Change in value of derivative used to determine hedge effectiveness (\$M)	(19)	13
Weighted average hedge rate for the year	0.63	0.63

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The Ausgrid Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Ausgrid Group to cash flow interest rate risk.

In accordance with Board approved policies, the Ausgrid Group ensures that its debt portfolio is managed within a risk framework including weighted average debt maturity and debt maturity in any 12 month period. As at the end of the reporting period, the Ausgrid Group has derivative financial instruments in place (IRS and CCIRS) which have been valued using valuation techniques with market observable inputs.

Instruments used by the Ausgrid Group

IRS are used to hedge interest cost and manage the variable rate exposure of total debt. Interest rates are fixed by putting in place IRS contracts which exchange floating rate obligations into fixed rate obligations. The interest cost on 99.1% (2020: 95.4%) of total debt outstanding is fixed.

As at the end of the reporting period, the Ausgrid Group had the following variable rate borrowings and IRS contracts outstanding:

	Weighted average interest rate %	Balance \$M	% of total loans
2021			
Bank overdrafts, bank loans and note issuances ¹	1.44	12,158	100.0%
IRS (notional principal amount) ²	2.20	12,055	99.1%
Net exposure to cash flow interest rate risk	0.91 - 1.90	103	0.9%

(1) Includes fixed rate note issuance swapped into floating rate AUD obligation

(2) Excludes forward starting swaps commencing post 30 June 2021

2020

Bank overdrafts, bank loans and note issuances	1.73	12,632	100.0%
IRS (notional principal amount)	2.25	12,049	95.4%
Net exposure to cash flow interest rate risk	1.18 - 2.20	583	4.6%

The interest rate profile for the Ausgrid Group's interest bearing financial instruments (excluding lease liabilities) at the reporting date was:

	2021		2020	
	Notional in AUD \$M	Notional swapped to fixed AUD via CCIRS/IRS \$M	Notional in AUD \$M	Notional swapped to fixed AUD via CCIRS/IRS \$M
A\$ denominated fixed rate liability	1,720	1,720	970	970
US\$ denominated fixed rate liability	3,364	3,364	3,364	3,364
EUR denominated fixed rate liability	1,037	1,037	1,037	1,037
A\$ denominated floating rate liability	6,037	5,934	7,261	6,678
	12,158	12,055	12,632	12,049

The proportion of net debt exposed to floating rates is 0.9% (2020: 4.6%)

26 Financial risk management (continued)

(c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The Ausgrid Group accounts for all its fixed rate financial assets and liabilities at amortised cost. The Ausgrid Group has variable rate financial liabilities at the reporting date. The Ausgrid Group's borrowings are 99.1% hedged (2020: 95.4%). A change in interest rates by one percentage point at the reporting date would have an impact on the Ausgrid Group's profit or loss or equity as discussed below.

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity are sensitive to an increase/(decrease) in the fair value of the cash flow hedges of borrowings.

	Impact on post-tax profit		Impact on other components of equity	
	2021	2020	2021	2020
	\$M	\$M	\$M	\$M
Interest rates - increase by 1% ¹	2	10	551	701
Interest rates - decrease by 1% ¹	(4)	(15)	(581)	(565)

(1) Holding all other variables constant

The effects of the interest rate related hedging instruments on the Ausgrid Group financial position and performance are as follows:

Derivative financial instruments - IRS¹

	2021	2020
Carrying amount (\$M)	(521)	(919)
Notional amount (\$M)	14,235	13,479
	Jul 2021 - Jul	Jul 2020 - Jul
Maturity	2031	2030
Hedge ratio	1:1	1:1
Change in value of hedged item used to determine hedge effectiveness (\$M)	(518)	(918)
Change in value of derivative used to determine hedge effectiveness (\$M)	(521)	(919)
Weighted average hedge rate for the year (%)	2.26	2.34

(1) Designated as fair value hedges and cash flow hedges

Derivative financial instrument - CCIRS

Carrying amount (\$M)	324	600
Notional amount (\$M)	4,527	4,896
	May 2023 - Oct	May 2023 - Oct
Maturity	2032	2032
Hedge ratio	1:1	1:1
Change in value of hedged item used to determine hedge effectiveness (\$M)	322	618
Change in value of derivative used to determine hedge effectiveness (\$M)	324	491
Weighted average hedge rate for the year (%)	3.21	3.23

(d) Capital risk management

The Ausgrid Group's objectives are to maintain an appropriate capital structure to enable an appropriate return on equity and efficient investment decisions to be made on a commercial basis.

26 Financial risk management (continued)

(d) Capital risk management (continued)

The Ausgrid Group maintains an appropriate capital structure in consideration of the following criteria:

- Maintain a bbb/baa2 baseline credit assessment and not less than bbb-/baa3 in accordance with the Ausgrid Group Treasury Policy.
- Provision of an appropriate return to shareholders without compromising the principles or objectives of the Ausgrid Group Treasury Policy.
- Ability to meet key debt service criteria, based on industry benchmarks.
- Capacity to finance the approved capital expenditure program through internally generated cash flows and debt, with consideration of the current phase of the investment cycle.
- Provision of sufficient flexibility for relevant contingencies.

Key financial covenants include a debt to RAB ratio of less than 90% and a cash flow coverage ratio of greater than 1.2 times interest expense. These have been complied with during the year.

(e) Liquidity risk

Liquidity risk is the risk of difficulty in ensuring the availability of sufficient funds to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Ausgrid Group Treasury Policy provides an appropriate framework for the management of the Ausgrid Group's short, medium and long-term funding and liquidity management requirements.

The Ausgrid Group's liquidity risks are managed with the availability of readily accessible standby facilities and other funding arrangements placing surplus funds on deposit.

(i) Maturities of financial liabilities

The table below categorises the Ausgrid Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For the derivatives, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

26 Financial risk management (continued)

(e) Liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

Contractual maturities of financial liabilities	Less than 6 months \$M	6 - 12 months \$M	Between 1 and 2 years \$M	Between 2 and 5 years \$M	Over 5 years \$M	Total contractual cash flows \$M	Carrying amount \$M
2021							
Non-derivatives							
Trade payables	267	-	-	-	-	267	267
Loans and notes	141	1,498	937	5,477	6,107	14,160	12,572
Lease liabilities	2	2	3	10	127	144	29
Total non-derivatives	410	1,500	940	5,487	6,234	14,571	12,868
Derivatives							
IRS	88	82	137	212	46	565	632
Total derivatives	88	82	137	212	46	565	632
	498	1,582	1,077	5,699	6,280	15,136	13,500
2020							
Non-derivatives							
Trade payables	266	-	-	-	-	266	266
Loans and notes	153	137	3,348	4,017	7,292	14,947	13,735
Lease liabilities	2	2	3	9	123	139	28
Total non-derivatives	421	139	3,351	4,026	7,415	15,352	14,029
Derivatives							
IRS	119	120	222	463	153	1,077	991
Total derivatives	119	120	222	463	153	1,077	991
	540	259	3,573	4,489	7,568	16,429	15,020

26 Financial risk management (continued)

(f) Recognised fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table presents the Ausgrid Group's assets and liabilities measured and recognised at fair value at the reporting date.

2021	Notes	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Recurring fair value measurements					
Derivatives	15	-	(122)	-	(122)
Total		-	(122)	-	(122)
Non-recurring fair value measurements					
Assets classified as held for sale	8	-	-	5	5
Total		-	-	5	5
2020					
Recurring fair value measurements					
Derivatives	15	-	155	-	155
Total		-	155	-	155
Non-recurring fair value measurements					
Assets classified as held for sale	8	-	-	4	4
Total		-	-	4	4

The carrying amounts of financial instruments which are not measured at fair value in the statement of financial position approximate their fair values.

(g) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using maximum observable market input data, which include prices from observable current market transactions and dealer quotes for similar instruments.

26 Financial risk management (continued)

(h) Non-recurring fair value measurements

Non-current assets classified as held for sale during the reporting period are measured at the lower of their carrying amount and FVLCO and are included in Level 3.

Assets held for sale comprises land and buildings transferred from property, plant and equipment. The valuation techniques and significant input used in the calculation have been discussed under Note 1(o).

(i) Fair value versus carrying amount

The carrying amounts and fair values of financial assets and liabilities at the reporting date are:

		2021		2020	
	Notes	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
Financial assets carried at amortised cost					
Cash and cash equivalents		249	249	403	403
Trade and other receivables	7	62	62	71	71
Contract assets	7	277	277	262	262
Total financial assets		588	588	736	736
Financial liabilities carried at amortised cost					
Loans and notes	12(a)	12,572	13,159	13,735	14,000
Lease liabilities	12	29	29	28	28
Trade and other payables	11	267	267	266	266
Deposits	14	1	1	2	2
Total financial liabilities		12,869	13,456	14,031	14,296

27 Events occurring after the reporting period

On 2 July 2021, the Ausgrid Group renegotiated its existing \$721 million Capex Facility and \$250 million Working Capital Facility under the existing Terms and Conditions of the SFA. The maturity for both facilities was extended by two years from the original maturity date of 1 June 2022 to 1 June 2024.

Other than the above mentioned matter, no other matter or circumstance has occurred subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Ausgrid Group, the results of those operations or the state of affairs of the Ausgrid Group in subsequent financial years.

In the Directors' opinion:

- (a) the consolidated financial statements and notes, as set out on pages 2 to 58 are in accordance with the Partnership Deeds, and:
 - (i) comply with Accounting Standards as described in Note 1 to the consolidated financial statements and other mandatory professional reporting requirements;
 - (ii) give a true and fair view of the Ausgrid Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and in accordance with the accounting policies described in Note 1 to the consolidated financial statements; and
- (b) there are reasonable grounds to believe that the Ausgrid Group will be able to pay its debts as and when they become due and payable.

Note 1(a)(i) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer consistent with the listed entity requirement under section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.



Dr Helen Nugent AO 23/08/2021 5:51 PM
Director

23 August 2021



Robert Wright 23/08/2021 5:18 PM
Chairman Audit Committee

23 August 2021



Independent auditor's report

To the partners of Ausgrid Group

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of Ausgrid Group as at 30 June 2021 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1.

The Ausgrid Group (the Group) comprises Ausgrid Operator Partnership (AOP), Ausgrid Asset Partnership (AAP) and PLUS ES Partnership (PLUS ES) and the respective entities that they controlled at year end or from time to time during the financial year.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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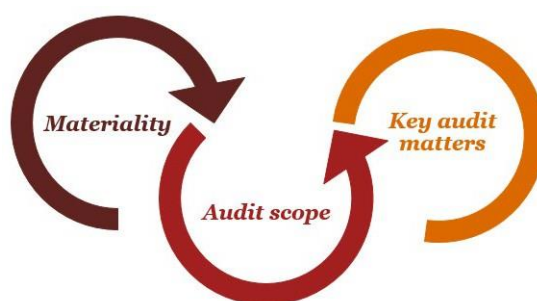
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
- For the purpose of our audit we used overall materiality of \$31 million, which represents approximately 2.5% of the budgeted Group earnings before interest, tax, depreciation and amortisation (EBITDA). - We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. - We chose EBITDA because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. - We utilised a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds.	- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. - The Group has operations across Sydney, the Central Coast and the Hunter region within New South Wales, with the accounting functions led from the Group's corporate head office in Sydney and Wallsend in Newcastle. The Group is made up of 2 cash generating units. AOP & AAP and the entities they control represent the Network Service Provider ("NSP") CGU and PLUS ES and the entities it controls represent the PLUS ES CGU (as detailed in Note 10a). - We conducted an audit of the financial information of the Group which consists of the NSP and PLUS ES CGUs.	- Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: - Goodwill impairment assessment - Borrowings and associated derivatives - These are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (Refer to note 10(a)) The Group's goodwill is required by Australian Accounting Standards to be tested annually for impairment at the cash generating unit (CGU) level. The Group performed an impairment assessment over goodwill by calculating the fair value less costs of disposal for each CGU, using discounted cash flow models (the models). We considered the impairment assessment to be a key audit matter due to: 1. the size of the goodwill balance 2. the judgements required by the Group in assessing whether an impairment was required. Key judgments used in the model included post tax discount rates, terminal value Regulated Asset Base multiple, terminal growth rates, and the assumption of expected returns from the AER in future regulatory periods.	We performed the following procedures amongst others: • Assessed whether the Group's identification of CGUs, which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the operations and with management's internal reporting. • Assessed whether the CGUs included assets, liabilities and cash flows directly attributable to each CGU. • Tested on a sample basis, the mathematical accuracy of the models. • Evaluated the cash flow forecasts in the models and developed our understanding of the process by which they were prepared. We compared the forecast cash flows used in the models to the most up-to-date corporate business plans presented to the Board for FY22 – FY51 (NSP) and FY22 – FY41 (PLUS ES). • Evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for past financial periods. • Together with PwC valuation experts, assessed whether the discount rate used in the model appropriately reflected the risks of the CGU by performing a shadow weighted average cost of capital (WACC) discount rate calculation. • Compared terminal growth rates used by the Group to economic and industry forecasts. • Considered relevant market transactions as a cross check against the valuation outcomes. • Considered the sensitivity analysis performed by the Group on the key assumptions used in the models (discount rates, terminal growth rate, cash flow variability) to assess under which assumptions an impairment may occur and whether this was reasonably possible. • Evaluated the reasonableness of the disclosures made in Note 10(a), including those regarding the key assumptions and sensitivities in such assumptions, in light of the requirements of Australian Accounting Standards.

Borrowings and associated derivatives

(Refer to note 12 'Borrowings' and Note 15 'Derivatives')

The Group had \$12,601 million of borrowings at 30 June 2021. The accounting for the Group's borrowings was considered a key audit matter due to:

1. the borrowings being the largest non-current liability in the consolidated statement of financial position.
2. the impact of the refinancing transactions in the current year to borrowings and borrowing cost balances.
3. the derivatives established upon refinancing were considered to be significant due to the large notional values, composition of cross currency and interest rate swaps and the long time to maturity. The valuation of derivatives at financial year end and hedge accounting required additional audit attention. This included a focus on market volatility arising from the COVID-19 pandemic.

We performed the following procedures, amongst others over borrowings and associated derivatives:

- Obtained confirmations directly from the Group's banks and private lenders to confirm the outstanding balance and key terms of borrowings and derivatives at balance date.
- Recalculated valuation of foreign currency-denominated borrowings at balance date.
- Read the most up-to-date agreements between Ausgrid Finance Pty Limited and its financiers to develop an understanding of any changes to key terms of borrowings.
- Assessed the accounting treatment of borrowing costs arising from new arrangements and borrowing costs related to renewed facilities.
- Obtained an understanding of the relevant covenants, assessed the Group's forecast compliance assessment and considered the covenant headroom available.
- Where debt was classified as non-current, we assessed whether the Group's classification was consistent with the requirements of Australian Accounting Standards.
- For a sample of swap contracts, we agreed the details recorded in the Group's Treasury Management system to critical terms in the contracts, such as payment terms, interest rates, and start and end dates.
- Together with PwC financial instrument experts, for a sample of derivatives, we compared the Group's valuation to third party evidence including credit spreads, interest rate curves and revaluation reports.
- Assessed the hedge accounting calculations and journals with respect to the requirements of Australian Accounting Standards.
- Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared by the directors to meet the information needs of the partners of AOP, AAP and PLUS ES as required under the Partnership Deeds dated 20 October 2016 (AOP and AAP) and 1 November 2017 (PLUS ES). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the partners of Ausgrid Group.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the accounting policies described in Note 1, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

A stylized, handwritten signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature of Brett Entwistle.

Brett Entwistle
Partner

Sydney
23 August 2021

Glossary

AAP	Ausgrid Asset Partnership
AASB	Australian Accounting Standards Board
AASB 8	AASB 8 Operating Segments
AASB 9	AASB 9 Financial Instruments
AASB 13	AASB 13 Fair Value Measurement
ACS	Alternative Control Services
Active Stream	Active Stream Pty Limited
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AFPL	Ausgrid Finance Pty Limited
AMTN	Australian Medium Term Note
AMPL	Ausgrid Management Pty Limited
ANS	Ancillary Network Services
AOP	Ausgrid Operator Partnership
ASF	Asian Syndicated Facility
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AUD	Australian Dollars
Ausgrid Group	AOP (parent entity), AAP, PLUS ES and their respective controlled entities
BBSW/BBSY	Bank Bill Swap Rate
Blue AAP	Blue Asset Partner Trust
Blue AOP	Blue Op Partner Trust
Blue PLUS ES	Blue PLUS ES Partner Trust
Bps	Basis Points
CCF	Climate Change Fund
CCIRS	Cross Currency Interest Rate Swaps
CGU	Cash-generating Unit
CODM	Chief Operating Decision Makers as defined by AASB 8 Operating Segments
COVID-19	Coronavirus
CPI	Consumer Price Index

Glossary (continued)

DNSP	Distribution Network Service Provider
DUOS	Distribution Use of System
EMTN	Euro Medium Term Note
ERIC Partners	Electricity Retained Interest Corporation vehicles
FVLCOD	Fair Value Less Costs of Disposal
GST	Goods and Services Tax
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IRS	Interest Rate Swaps
IT	Information Technology
LIBOR	London Interbank Offered Rate
MAR	Maximum Allowable Revenue
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NSP	Network Service Provider
NSW	New South Wales
NUOS	Network Use of System
PCB	Polychlorinated Biphenyls
PLUS ES	PLUS ES Partnership
PESM1	PLUS ES Management 1 Pty Limited
PESM2	PLUS ES Management 2 Pty Limited
RAB	Regulated Asset Base
ROU	Right of Use
SaaS	Software-as-a-Service
S&P	Standard and Poor's
SCS	Standard Control Services
SFA	Syndicated Facility Agreement
the Fund	Divisions B, C and D in the Scheme. These divisions provide defined benefits and are referred to collectively as 'the Fund'
the Scheme	The Energy Industries Superannuation Scheme

Glossary (continued)

TNSP	Transmission Network Service Provider
TUOS	Transmission Use of System
USPP	US Private Placement
VIU	Value in Use