

27 April 2023

**Submission on:
Local Fibre Companies' initial information disclosure
regulatory asset bases as at 1 January 2022 – Draft
Decision**

Northpower Fibre Limited



Thank you for the opportunity to provide feedback on the Local Fibre Companies' initial information disclosure regulatory asset bases as at 1 January 2022 – Draft Decision.

Northpower Fibre Limited (Northpower Fibre) make this submission on points that are relevant and most important to Northpower Fibre.

1.0 Benefit of Crown Financing

The LFCs have each adopted a different method for determining the proportion of Crown financing net drawdowns that is in substance debt each financial loss year. The Commission has advised its preference is to apply a consistent method across the LFCs because it considers the terms of the contracts with the Crown are sufficiently similar and indicate that the Crown financing had elements that are in substance debt and in substance equity. The Commission has decided to apply a 50:50 method to calculating the proportion that is in substance debt.

Northpower Fibre's original proposal aligned the treatment of Crown financing with that adopted in the relevant financial statements, which resulted in the drawdowns prior to financial loss year 2018 being treated as equity and those from 2018 as debt. Whilst we consider that this treatment was appropriate, we acknowledge the Commission's preference of a consistent approach for all LFCs. We consider that the Commission's proposal of a 50:50 split provides a pragmatic solution to this complex issue. Northpower Fibre therefore supports the Commission's proposal.

2.0 Timing Adjustments

The Commission has highlighted that the balance dates of the LFCs do not always coincide with the financial loss years as defined in the IM's. Table 3.1 of the draft decision outlines the financial reporting dates for the loss period for each LFC, noting that Northpower LFC2 Limited is no longer a separate relevant entity. The 'previous reporting date' included in table 3.1 for Northpower LFC2 Limited is shown as 30 June. We note that Northpower LFC2 Limited's reporting date was 31 March.

We thank you again for the opportunity to provide feedback.

Please contact Darren Mason ([REDACTED]) if you would like to discuss any aspect of this submission further.

[REDACTED]
Darren Mason
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