TRANSPOWER

Climate Statement

FY26

Front cover image credited to Matt Balkham of Jacobs New Zealand Limited.

The image is a photo of one of Transpower's towers (BEN-HAY-A1022). The tower was relocated in 2025, mitigating the climate risk evident in the photo.

Contents

Climate Statement

Transpower New Zealand Limited (Transpower) is the owner and operator of Aotearoa New Zealand's electricity transmission network, the national grid,[1] and the System Operator – responsible for managing the real-time power system and operating the wholesale electricity market. The grid is nationally significant infrastructure, and a lifeline utility under the Civil Defence Emergency Management Act 2002.

Transpower is a State-Owned Enterprise and a Climate Reporting Entity (CRE) under the Financial Markets Conduct Act 2013 (Act). This Climate Statement has been prepared in compliance with the Aotearoa New Zealand Climate Standards (NZ CS)[2] and covers the period 1 July 2025 to 30 June 2026 (FY26). It includes disclosures for Risk Reinsurance Limited (RRL), Transpower's "captive" insurance subsidiary.

Transpower has disclosed information where it is material as set out in NZ CS 3, namely if its omission, misstatement, or obscuration could reasonably be expected to influence decisions by primary users (potential and existing investors, lenders, and other creditors) regarding Transpower's climate statements. Materiality has been assessed on a case-by-case basis using quantitative thresholds (where feasible) and/or qualitative factors. Primary users of the Climate Statement are defined as Transpower's current and future investors, lenders and other creditors, and insurance companies. All monetary amounts disclosed are in New Zealand dollars (NZD).

Important Notice

Transpower has used all reasonable efforts in the preparation of this Climate Statement to provide accurate information in respect of the year ended 30 June 2026 as at the date of publication 27 August 2026 but cautions undue reliance being placed on representations that are necessarily subject to significant risks, uncertainties or assumptions.

This Climate Statement contains forward-looking statements, including climate-related metrics, climate scenarios, estimated climate projections, targets, assumptions, forecasts and statements of Transpower's future intentions. These statements necessarily involve assumptions, forecasts and projections about Transpower's present and future strategies and the environment in which Transpower will operate in the future, which are inherently uncertain and subject to limitations, particularly as to inputs, available data and information which is likely to change.

Transpower has used all reasonable efforts to provide a reasonable basis for forward-looking statements, noting the constraints of the novel and developing nature of this subject matter. Climate-related forward-looking statements may therefore be less reliable than other statements Transpower may make in its Integrated Reporting.

Descriptions of the qualitative and quantitative current and anticipated financial and other impacts of climate change draw on and/or represent estimated figures only. In particular, the risks and opportunities described in this Climate Statement, the scenarios and/or the forecast financial impact and emissions reductions, may not eventuate or may be more or less significant than anticipated. There are many factors that could cause Transpower's actual results, performance or achievement of climate-related metrics (including targets) to differ materially from that described, including climatic, government, consumer, technology and market factors outside of Transpower's control. Annual outcomes may differ. Nothing in this Climate Statement should be interpreted as capital growth, earnings or any other legal, financial tax or other advice or guidance.

1. To operate the grid, Transpower also owns and operates an extensive nationwide telecommunications network.
2. Aotearoa New Zealand Climate Standards » XRB

Letter from the Chair

On behalf of the Board of Transpower, I am pleased to present the third Transpower Climate Statement, prepared in accordance with the Aotearoa New Zealand Climate Standards.

For over 100 years Transpower has been powering and connecting New Zealand. Our mahi delivers comfort, connection and economic prosperity for New Zealanders by enabling electricity to be delivered to homes and businesses.

We must respond to climate impacts to safeguard New Zealand's transmission network and sustain that opportunity for its people to thrive. This Climate Statement outlines our evidence-based approach to how we are putting it into action.

FY26 is the first time Transpower has received dedicated funding for proactive climate risk reduction and readiness activity as part of the first year of Regulatory Control Period Four (RCP4 – the five-year period of FY26-FY30). We are carefully prioritising this investment to improve resilience of our assets as we manage and mitigate, prepare for and protect against climate impacts such as flooding, land instability and extreme wind.

As well as fulfilling our statutory reporting requirements as a Climate Reporting Entity under the Aotearoa New Zealand Climate Standards, this document reflects our Board's commitment to supporting the mitigation of climate-related transitional and physical impacts on the grid and the power system, and realising opportunities arising from the electrification transition.

Statement of Compliance

Transpower (together with its subsidiaries) is a Climate-Reporting Entity (CRE) for the purposes of the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (the Act).

This report, which constitutes our Climate Statement in accordance with the Act, covers the period 1 July 2025 - 30 June 2026 and has been prepared in compliance with the Aotearoa New Zealand Climate Standards (NZ CS 1, NZ CS 2 and NZ CS 3) issued by the External Reporting Board (XRB).

Michele Embling
Board Chair
27 August 2026

Kevin Palmer
Audit and Risk Committee Chair
27 August 2026

Overview

Aotearoa New Zealand has a target of net-zero emissions by 2050, which is driving the increasing electrification of its economy and communities. Transpower has a significant role to play in enabling the transition from a predominantly fossil-fuel based energy sector, to one that is based on renewable resources.

New Zealand's electricity system is highly renewable by international standards, with average renewable generation reaching 94% for the 12 months ended 30 June 2026.[3] However, when looking at energy consumption overall, fossil-fuel based sources still fulfil approximately 54% of overall energy, mainly through transport and process heat.[4] The transition of this energy consumption to electricity represents the clearest path to reach net zero by 2050. This transition will require once in a generation investment in the grid to enable new generation to supply new demand, and control systems to operate the power system securely.

This underscores the challenge of transitioning from fossil fuel-based sources to renewable sources to support Aotearoa New Zealand's net zero target. Given Transpower's dual roles as owner-operator of the national grid, and operator of the real-time electricity system, this places Transpower at the centre of enabling this transition.

Rather than producing a separate climate change risk strategy, climate change is a core assumption underpinning Transpower's business strategy Transmission Tomorrow, which was refreshed in 2023, following the 2020 publication of Whakamana i Te Mauri Hiko – Empowering our Energy Future (Transpower's strategic context). It identifies the different energy demand and supply pathways Aotearoa New Zealand could take in its transition journey through to 2050, and the implications of each for Transpower, the community in which it operates, and the electricity industry.

In 2025, Transpower launched a new initiative (Te Kanapu) to guide strategic discussions across the electricity sector and with key stakeholders to inform its planning for its national electricity transmission grid investments to 2050 and beyond. Te Kanapu looks towards an increasingly electrified future for Aotearoa New Zealand, where economic growth is powered by increasing amounts of renewable generation. It envisions a range of possible scenarios encompassing a range of critical uncertainties regarding electrification, supply mixes, and decentralisation. It explores what the grid would need to look like to enable the reliable and affordable electricity supply necessary for a thriving, net zero economy by 2050. Following extensive and ongoing consultation with stakeholders, Transpower is targeting the publication of the Future Grid Blueprint by end-FY27. These will inform future Climate Statements.

In 2023 and in line with the Aotearoa New Zealand Climate Reporting Standard, Transpower developed temperature-rise based scenarios consistent with Whakamana i Te Mauri Hiko, which provide further context for how Transpower should govern, manage, measure, and respond to the climate risks and opportunities it faces.

The way Transpower identifies, manages, governs, and responds to climate change-related risks and opportunities is embedded in its business operations and asset management approach.

Transpower needs to enable the rapid connection of new energy sources and increase the capacity of the grid to meet increasing demand. At the same time the system as a whole will face challenges in matching demand – both peak and overall energy need – and in integrating new technology through the transition.

In the role of system operator, Transpower will consequently face challenges in communicating and mitigating system stability and market transition risks. Transpower, as system operator needs to continue to operate a stable power system that seamlessly integrates more highly distributed and intermittent energy sources as the system transition ensues and adapt operations to changing system security risks. If the System Operator fails to ensure the power system is secure, consumer trust in our power system may be lost, delaying the transition from high carbon fossil fuel users to a low carbon power system. The system operations risk review and management processes identify operationally focused threats, risks and controls.

These feed into the system operators strategy which looks ahead to ensure funding is secured for investments to mitigate these risks, and those related to climate change are included within this Climate Statement.

3. Transpower's System Operator Market Operations Update Week Ended 28 June 2026
4. Energy in New Zealand 2025 (mbie.govt.nz)

Transpower's physical risks are associated with the increasing frequency and severity of extreme acute weather events, but also chronic hazards such as sea level rise. The risks are characterised by the impact these events and hazards have on the operation of assets and the power system. Transpower's assets are subject to a diverse range of natural hazards. Climate change is increasing both the frequency and magnitude of many of the natural hazards that already exist.

Transpower's asset planning accounts for this changing dynamic by incorporating resilience to major hazards into its grid investments with awareness of climate change projections. Transpower's asset risk review process identifies and collects information for asset management purposes on all major hazards including those related to climate change. This enables Transpower to make informed decisions about asset health and network risk, so that Transpower can maintain a safe and reliable network and realise improvements in resilience to natural hazards and climate change.

Transpower anticipates supply chain and other procurement issues resulting from the global transition to electrification and the impact of climate change on manufacturing and supply chains – these cover both physical and transition risks.

In this Climate Statement, each of these areas are outlined in more detail, and provide supporting evidence for the position taken. Every part of Transpower's value chain is covered in this Climate Statement.[5]

5. Refer FY26 Integrated Report page 8.

Documents that form part of the Climate Statement

These two documents are acknowledged and linked in the Climate Statement to form part of the Transpower Climate Statement FY26:

- FY26 Greenhouse Gas Inventory Report
- Climate Disclosure Scenarios

Documents that provide background context to the Climate Statement

The following (being Transpower's own documents, which are publicly available on its website) and any other documents mentioned, referenced or linked within this Climate Statement are included only to provide background context. No such documents form part of the Climate Statement.

- Climate Adaptation Plan
- FY26 Integrated Report
- FY25 Statement of Corporate Intent
- FY27 Sustainability Strategy
- Net Zero Grid Pathways programme
- RCP4 proposal
- Service Measures Report 2025
- System Operator Strategic Plan
- Te Kanapu
- Transmission Tomorrow
- Whakamana i Te Mauri Hiko – Empowering our Energy Future

SECTION 1

Governance

The way in which climate risks and opportunities drive strategic decisions and are managed within Transpower's operational footprint, is fully integrated into governance and management structures.

1.1 The role of the Transpower Board

Transpower's Board is the body responsible for setting and governing Transpower's strategic direction including oversight of climate-related risks and opportunities. The Board considers climate-related risks and opportunities and the impact of such when setting the Company's strategic priorities and strategic focus areas, and when considering and approving:

- the 10-year Business Plan annually;
- funding allowance requests (reflecting asset management and investment strategies and plans) to the Commerce Commission in respect of the grid infrastructure and operation; and
- service agreements with the Electricity Authority and the associated System Operator Strategy in respect of the real-time operation of the power system.

The Board monitors and oversees Transpower's performance against the key deliverables arising. The Board is also responsible for oversight and governance of Transpower's Climate Targets and Climate Adaptation Plan – each of which are considered by the Board at least annually.

1.2 Board committees

All climate-related risks and opportunities are considered by the Board's Audit and Risk Committee (ARC) and the Board at least once a year. Transitional climate-related risks and opportunities feature most meetings as the subject or context for at least one of the papers for the consideration of the ARC, the Board's System Operator Committee (SOC) and/or the Board itself. Quarterly, climate-risks apparent in the next 30-year term are considered by the ARC and Board as part of a quarterly review of the Enterprise Risk Register. At least annually, the People & Performance Committee is responsible for setting, or monitoring progress against, remuneration key performance indicators for the Executive Leadership Team (ELT), which include a climate element.

1.3 Board skills and competence

The Board ensures appropriate skills and capability are available through an annual assessment of the Directors' collective skills, experience and competencies in core governance areas, including climate change. As at 30 June 2026, Transpower's Directors collectively are considered to have a rating of 4 out of 5 of high capability in respect of climate change. For more information see Transpower's Integrated Report. Education is provided to boost members' relevant skills and competencies where required, delivered by subject matter experts both internally and externally.

Climate change is an area of focus for Transpower's induction and ongoing education for its Directors:

- some Directors have completed formal climate- and sustainability-related professional development and courses such as the Harvard Kennedy School–Climate Change & Energy: Policy Making for the Long-Term; and New Zealand Institute of Directors – Addressing the Climate Urgency;
- one Director is a member of Chapter Zero;
- one Director is the ex-Chair of the XRB and a current board member of Toitū Tahua: Centre for Sustainable Finance;
- one Director is the Chair of Antarctica New Zealand, which leads research on climate change.

Directors are continually sharing and building additional knowledge and expertise as climate-related risks and opportunities are discussed at Transpower's Board meetings.

1.4 The role of management

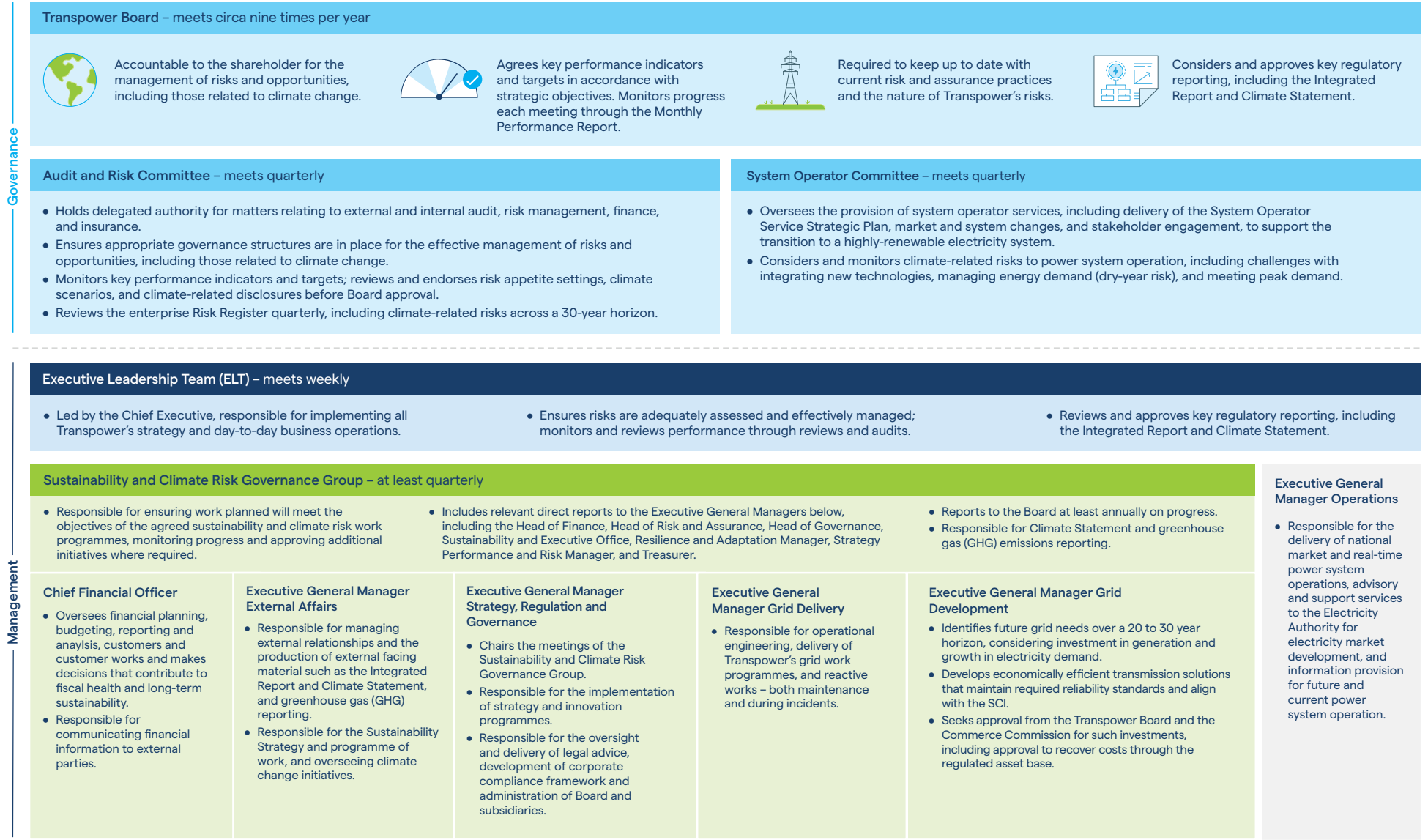
The Chief Executive and the wider ELT is responsible for directing and providing assurance over Transpower's Enterprise Risk Management Framework for which the Chief Financial Officer has overall responsibility. On a quarterly basis, the ELT reviews and updates all strategic, external, and key operational risks, including climate-related risks and opportunities, before these are reported to the ARC.

Transpower is a signatory at the Climate Leaders Coalition and is represented by the Chief Executive. The Executive GM Strategy, Regulation and Governance is a member of the Sustainable Business Council Advisory Board. A cross-functional management group coordinates the annual update of the Climate Statement and monitors climate-related risks and opportunities, materiality and scenario changes, and the removal and/or addition of risks and opportunities.

Managers at each level are responsible for evaluating the risk environment and putting controls in place to prevent these climate-related risks from occurring or, once they have eventuated, to mitigate their impact. Similarly, such Managers are also responsible for realising climate-related opportunities.

1.5 Climate governance and management structure

Figure 1: Climate Governance and Management Structure



SECTION 2

Strategy

Climate change and our response to it are key drivers central to Transpower's strategy, planning, and operations. Scenario analysis is used to identify and manage climate-related risks and opportunities to grow New Zealand's economy by enabling electrification with resilient grid infrastructure and the operation of a distributed and highly-renewable electricity system.

2.1 From strategy to planning

Electrification is a major contributor to meeting the New Zealand Government's target of reaching net zero carbon by 2050. It also presents Aotearoa New Zealand with a clear opportunity to grow our economy in new ways.

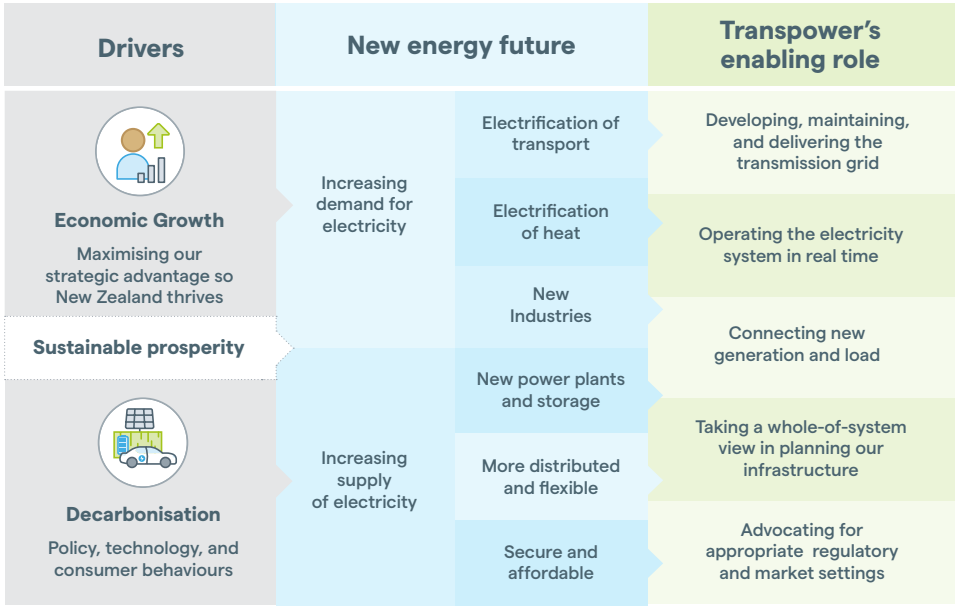
With the increased focus on electrification, Transpower plays three key enabling roles in Aotearoa New Zealand's electricity sector as shown in Figure 2.

Transpower's Accelerated Electrification pathway, outlined in Whakamana i Te Mauri Hiko, is consistent with meeting the Government's electrification ambitions. Our initial assessment of easy-to-electrify energy use forecasts a 68% increase in electricity demand and 137% increase in installed generation between 2020 and 2050. Transpower will further assess the required change for harder-to-electrify sectors such as shipping and aviation, as technologies evolve.

Transpower's strategies and plans position Transpower for this pathway and provide clear line-of-sight between climate change mitigation and adaptation needs, and Transpower's business, operations, and investments. Key Transpower strategies and plans are outlined in Figure 3 and are supported by Transpower's asset management and risk management approach.

Transpower regularly seeks input from customers and wider stakeholders in developing its plans to ensure the transmission system meets the country's needs.

Figure 2: Strategic Operating Context



Through Te Kanapu, Transpower is tapping expertise and insights from the electricity sector and interested stakeholders to guide Transpower's investment into the future of electricity transmission in this country. That is, what the transmission grid would need to look like to enable the reliable and affordable electricity supply necessary for a thriving, net zero economy by 2050. When Te Kanapu is finalised, Transpower will replace its scenarios for demand and generation out to 2050.

Transpower produces a quarterly scorecard for the Energy Transition Framework, which monitors core drivers of the transition including affordability, reliability, and sustainability. Specific indicators cover key aspects of electrification, including: EV uptake; gas and electricity connections and prices; emerging fuels; generation build rates and investment; and trends in distributed energy resources and flexibility.

In Transpower's system operator role, the core priority is to operate the electricity system securely and efficiently in real-time. To do this Transpower must deliver a broad range of activities which span time horizons from second-to-second real-time operations out to a decade into the future.

Figure 3: From Strategy to Planning

Whakamana i Te Mauri Hiko (our strategic context)

Identifies the national and global context Transpower operates in, and different electricity demand and supply pathways Aotearoa New Zealand could take in its transition journey through to 2050. **Climate change is a core driver underpinning this work.**

→ **Periodic monitoring report**

Transmission Tomorrow (our strategy)

Outlines Transpower's strategic priorities as it supports New Zealand's electrification through the provision of a resilient interconnected grid and through operating a distributed and highly renewable electricity system.

Integrated Transmission Plan (ITP)

A suite of documents that describes Transpower's plans for its regulated transmission business. The ITP summarises Transpower's expenditure for at least 10 years. Investments are based on the Whakamana i Te Mauri Hiko Accelerated Electrification pathway.

→ **Asset Management Plan**

→ **Transmission Planning Report**

→ **Service Measures Report**

System Operator Service Strategic Plan

Describes the opportunities and challenges Transpower faces in the short term, and its focus areas for adapting how it operates to deliver the System Operator service as well as its commitment to adapting Transpower's role to meet these challenges.

2.2 Scenario analysis

Transpower uses three standalone climate change scenarios (which will be reviewed following the publication of the Te Kanapu initiative Grid Blueprint) to help identify its climate-related risks and opportunities and to better plan for the resilience of its assets to climate change.

Transpower's scenario narratives, emissions reduction pathways and assumptions including policy and socioeconomic assumptions, macroeconomic trends, energy pathways and technology assumptions including negative emissions technology are available in the Climate Disclosure Scenarios document available on the Transpower website.

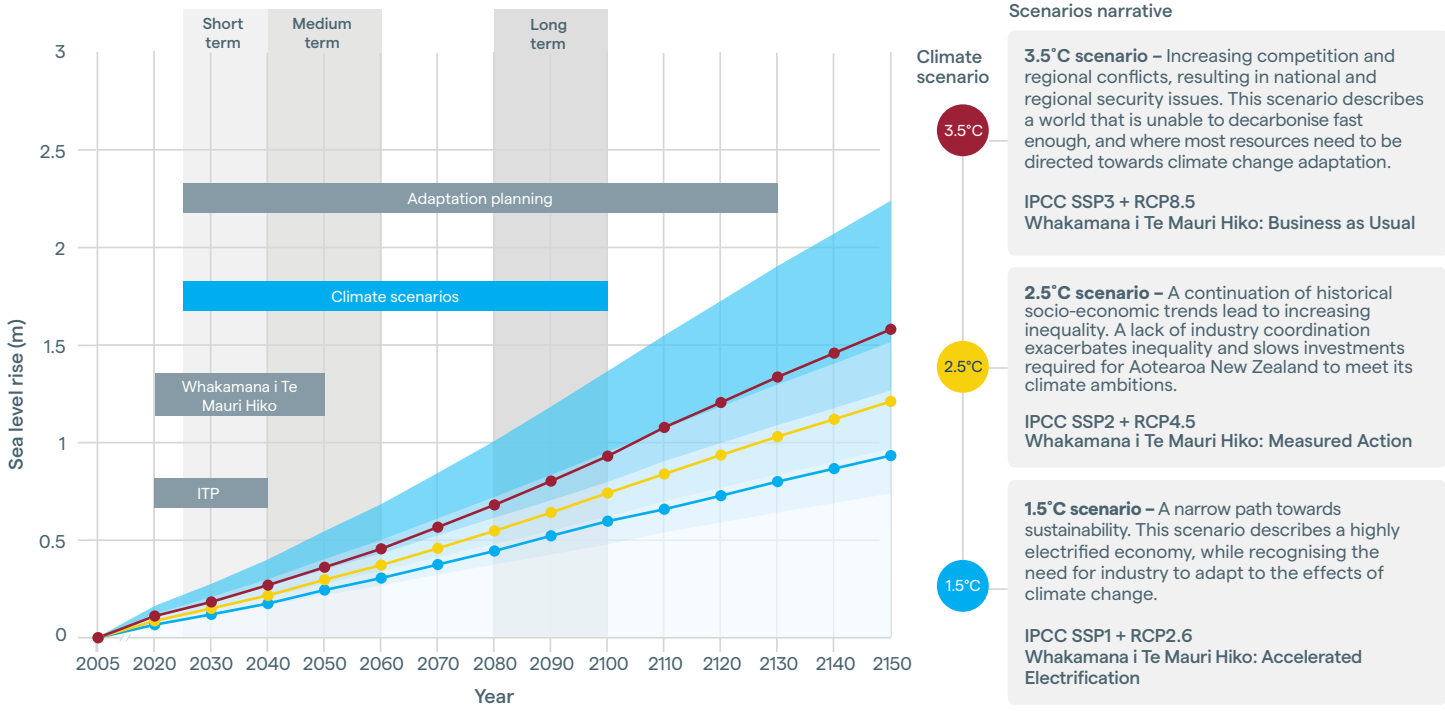
Transpower's climate change scenarios are based on degrees of temperature rise due to global warming out to 2100 and consider a wide range of information[6] to represent possible global, national, and industry-specific developments.

Figure 4 illustrates relative sea level rise projections in Aotearoa New Zealand under Transpower's climate scenarios, with shading representing confidence intervals of the projection. Importantly, a noticeable divergence in scenarios is not expected until 2050, which is a broad proxy for other climate-related impacts.

Figure 4 also shows how our climate scenario time horizons compare to other time horizons considered by Transpower in its strategy and planning:

- to 2040: Integrated Transmission Plan (ITP) sets out the plans for Transpower's regulated transmission business;
- to 2050: Whakamana i Te Mauri Hiko provides strategic context, including New Zealand's energy future scenarios;
- to 2150: Climate adaptation planning considers a greater than 100-year period. Our first Climate Adaptation Plan was released in September 2024.

Figure 4: Overview of Transpower's three climate scenarios (1.5˚C, 2.5˚C and 3.5˚C degrees warming)



For specific asset investments, Transpower considers the operating context and timeframes relevant to those decisions.

Our climate scenarios for this Climate Statement are split into three-time horizons in accordance with the Intergovernmental Panel on Climate Change (IPCC) simulations – with a gap between 2060 and 2081 aligning with the IPCC Sixth Assessment Report data:[7]

- Short term (2026 – 2040)
- Medium term (2041 – 2060)
- Long term (2081 – 2100).

6. This included global, New Zealand and Transpower data sources such as: Intergovernmental Panel on Climate Change , International Energy Agency (IEA), Global Environmental Change Journal, Ministry for the Environment, and Transpower datasets underlying Te Mauri Hiko, Whakamana i Te Mauri Hiko and Enabling New Connections (ENC).
7. IPCC Sixth Assessment Report.

Transpower uses these scenarios and timeframes to identify:

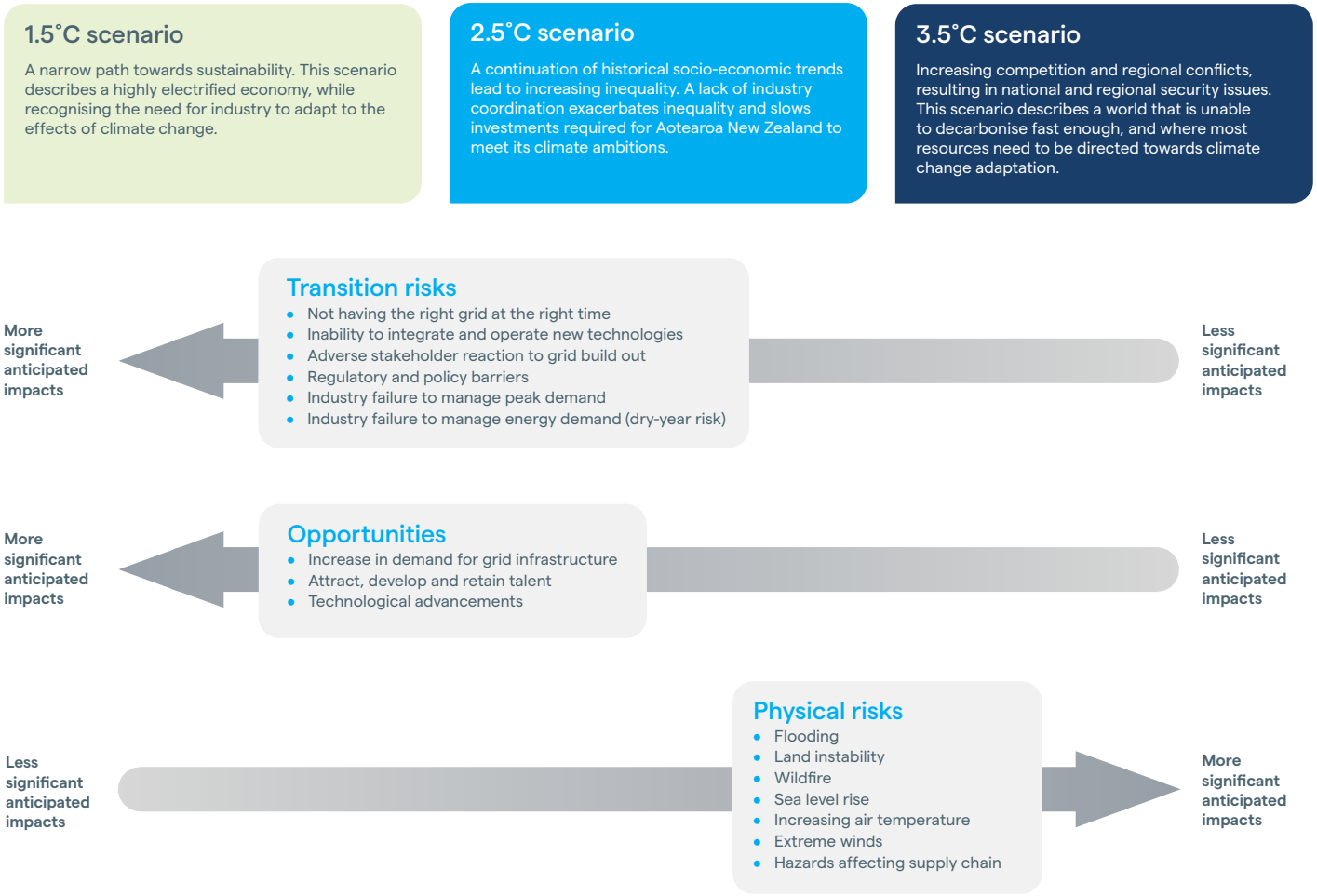
- **Transition risks and opportunities**, which are linked to New Zealand's ability and speed to decarbonise and electrify, and Transpower's ability to enable increased electrification. To analyse transition risks and opportunities, Transpower's climate scenarios use its Whakamana i Te Mauri Hiko scenarios alongside the Intergovernmental Panel for Climate Change (IPCC) Shared Socio-economic Pathways (SSPs) and the International Energy Agency's World Energy Outlook 2023 report which outlines relevant trends and developments for the sector.
- **Physical risks**, which are directly dependent on the intensity of global warming. To analyse physical risks, Transpower's climate scenarios use the IPCC's Representative Concentration Pathways (IPCC's RCPs) and associated climate projections.

This Climate Statement identifies climate-related risks and opportunities that are reasonably expected to affect Transpower based on an assessment process that focuses on the scenario under which those risks and opportunities are expected to be the most pronounced. Transition risks and opportunities focus on the 1.5˚C scenario (Whakamana i Te Mauri Hiko Accelerated Electrification), and physical risks focus primarily on the 3.5˚C scenario (IPCC's RCP8.5) – noting wider data sources outside these scenarios are also considered where this is deemed appropriate.

Figure 5 to the right provides an overview of the risks and opportunities identified through the scenario analysis process.

More information relating to the scenario development process can be found on the Transpower website.

Figure 5: Key transition risks, opportunities, and physical risks assessed by climate scenario



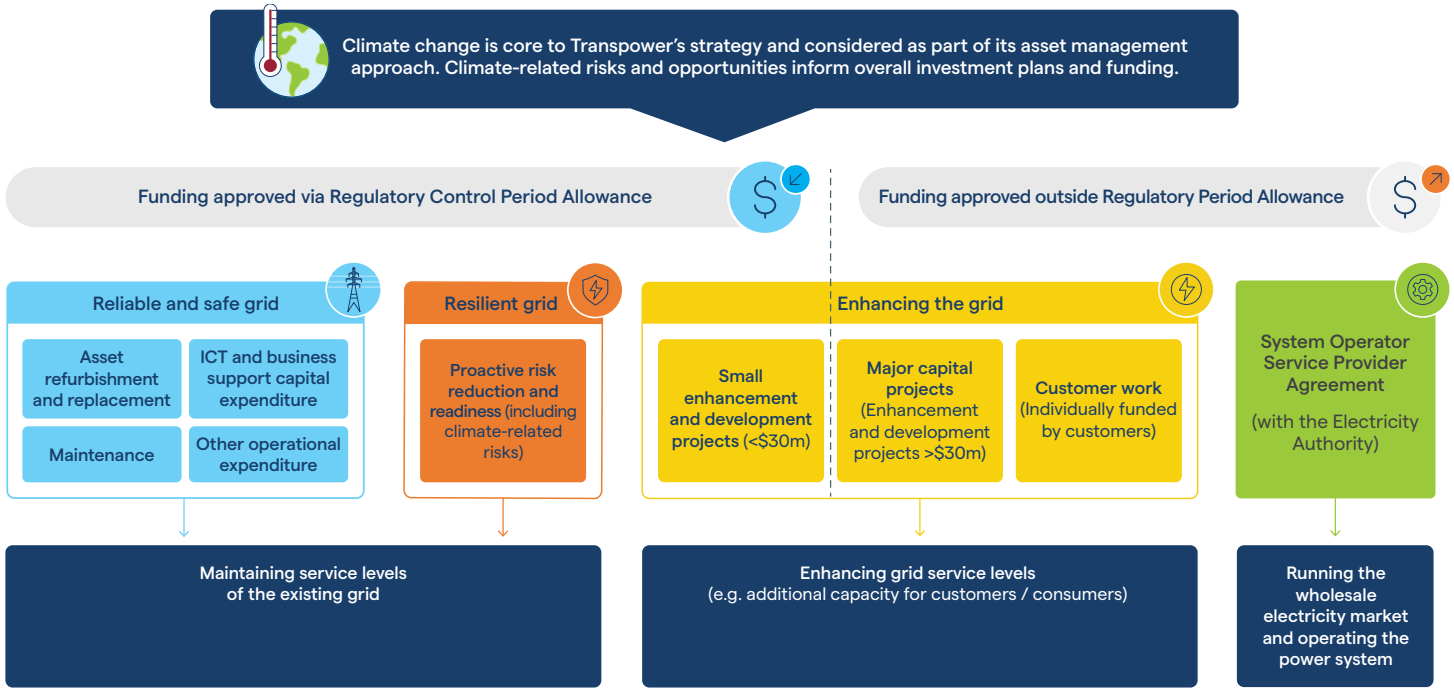
2.3 Financial planning and capital deployment

The majority of expenditure is ultimately funded by grid revenue Transpower recovers from its customers. This revenue is regulated by the Commerce Commission and is set every five years for RCPs. Transpower also has some specific funding for resilience for its current five-year regulatory period, which commenced mid-2025.

Major capital projects (MCPs) are grid enhancement or development projects that cost over $30m, Transpower must make a separate application to the Commerce Commission for MCPs. In developing its MCPs, Transpower is required to use Electricity Demand and Generation Scenarios (EDGS) produced by the Ministry of Business, Innovation and Employment (MBIE), although it may in some instances use variations. These variations would be informed by Whakamana i Te Mauri Hiko (which inherently incorporates transition planning).

Figure 6 provides an overview of Transpower's main funding streams and work types. Transpower's understanding of its climate-related risks and opportunities is an essential input to determine the necessary investment in the grid and systems, whether for regular maintenance, resilience, refurbishment and replacement, or enhancement and development work. Transpower's climate-related risks also inform work connecting generation and non-generation customers.

Figure 6: Investment and Funding Framework



2.3.1 Transpower invests in the transition

To support the country's commitment to net zero emissions by 2050, the Government has an interim target that 50% of total final energy consumption will come from renewable energy by 2035 and a doubling of renewable electricity by 2050. Electrification will play a key role in achieving both objectives, particularly in the electrification of the transport sector and process heat. Based on current modelling, powering this change would mean increasing installed generation from about 10 GW today to approximately 22 GW by 2050, to meet electricity demand under the Whakamana i Te Mauri Hiko Accelerated Electrification scenario. As of 30 June 2026, there is 26.1 GW of proposed generation and storage projects at the application stage or later in the Transpower grid connections pipeline.

In response, Transpower needs to build and enhance the transmission grid to ensure it can continue to deliver electricity from where it is generated to where it is needed; enable the rapid connection of new renewable energy sources; increase the capacity of the grid to support these connections and increasing demand; and finally, continue to operate a stable power system that seamlessly integrates more highly distributed and intermittent energy sources. These climate-related risks and opportunities have already shifted Transpower's strategic priorities and focus areas and feature as key considerations in recent years' Transpower Board's strategy days. Such climate-related risks and opportunities and associated strategic priorities and focus areas are a key input into strategic planning, investment prioritisation and capital allocation decisions in respect of both the role as grid owner and that as system operator. Physical risks are driving increased investment in asset resilience, adaptation and climate-informed asset management. These strategic responses are reflected in our asset management plans, MCP submissions to the Commerce Commission, grid development activities and broader capital deployment process.

Te Kanapu is a strategic Transpower initiative key to determining transition investments, which builds from the Whakamana i te Mauri Hiko research in 2020 (that highlighted the electrification opportunity). Te Kanapu is delivering a range of refreshed scenarios. Informed by insights, gained through wide engagement, Te Kanapu is targeted to deliver a Grid Blueprint by end-FY27 identifying actionable, least-regrets transition investments for the transmission grid out to 2050 to enable the reliable and affordable electricity supply needed to power New Zealand's energy future.

Transpower's investments to maintain the existing grid and service levels for customers must be approved by the Commerce Commission through a submission process for funding of five-year regulatory control periods, following customer consultation and independent verification. This includes a modest amount for grid enhancement and development. Separate approval is required for MCPs, including the likes of Transpower's Net Zero Grid Pathways, its HVDC upgrade investments and other MCPs aimed at supporting the electrification transition. Such MCPs would double the regulated asset base (RAB) over the next 10 years. The programme is driven by key tactical decisions informed by broader long-term planning, including the Transmission Planning Report and Asset Management Plan.

All such costs – for MCPs as well as maintaining existing grid and service levels – are recovered from customers (electricity distributors, generators, and certain load customers) through the Transmission Pricing Methodology determined by the Electricity Authority. Specific connections for customer projects are funded under separate bilateral contracts.

Transpower's Green Financing Framework ensures its funding strategy is aligned with its sustainability objectives. It also supports its ability to source the finance required to enable the investment needed. The Green Financing Framework covers both existing and future issuances of Transpower's debt instruments – a gross debt book carrying value of approximately $4.1b as of 30 June 2026.

2.3.2 Transpower continues to build resilience into its planning

Climate-related risks are managed as part of Transpower's overall asset management approach. An asset-risk review process identifies and collects information on all major hazards including those related to climate change. This enables informed decisions about asset health and network risk, so that Transpower can maintain a safe and reliable network and realise improvements in resilience to natural hazards and climate change.

Risk reduction for climate-related risks regularly occurs through upgrades and asset replacement.

However, Transpower needs to proactively invest in risk reduction and readiness where those upgrades or replacements are insufficient to manage the risk. Transpower's FY25-FY30 workplan contains a proactive resilience programme which includes risk reduction and readiness initiatives for climate-related risks.

Transpower has also developed a Climate Adaptation Plan, which builds on recent work, and identifies the next phase of improvements relating to climate change adaptation.

2.3.3 Climate-related financial impacts in FY26

Severe weather events in the South Island required repair work in FY26 to address flooding, land instability and wind related damage. These events (June and October 2025; January and February 2026) resulted in FY26 financial impacts ranging from <$1m to $8m. Whilst these amounts are not financially material to Transpower, they are included to provide context and highlight such risks can and are eventuating. Reported financial impacts may include expenditure relating to weather events that occurred in the previous financial years and may not include all costs associated with weather events occurring in the current financial year, where those costs have not yet been finalised.

The actual financial impact of damage caused will be predominantly covered by insurance. Transpower procures insurance cover to mitigate financial risks associated with damage to Transpower property and provide cover for damage it might inadvertently cause to others in the normal conduct of its business. Insurance primarily covers the financial consequences of catastrophic event risk as well as higher frequency risks which are commercially appropriate to insure. Transpower operates a captive insurance company through its subsidiary RRL which retains some risks, but reinsures most risks with external markets.

Positive financial impacts have also been incurred in FY26. These relate to the Increase in Grid Infrastructure and Access to Talent opportunities, please refer to Table 3 for detail.

2.4 Climate-related risks and opportunities assessment

2.4.1 Physical risks

To enable consideration and identification of the most material climate-related hazards Transpower considered a wide range of possible hazards over four categories: temperature, water, wind, and solid mass, with each category further divided into chronic and acute hazards. From this list, six hazards were assessed as being material due to their potential ability to significantly impact assets.

Assessment of the climate-related physical risks was carried out in accordance with the Hazard, Exposure, Vulnerability, Impact (HEVI) methodology, outlined in Section 3.3.

Table 1 outlines each material hazard, providing an assessment summary, overview of current and anticipated impacts and a summary of preventative and mitigative management actions. All physical risks were assessed against the 3.5-degree scenario, or as close as possible to this scenario, which was deemed to be the upper end of the risk.

The anticipated financial impact, and other quantitative information, has been provided where possible.

The focus of these physical risks is on the impact on the assets. In addition, managing the grid and power system securely gets increasingly difficult with increasing asset vulnerability.

2.4.2 Transition risks

Assessment of climate-related transition risks considered where Transpower's value chain is most exposed to the pressures and uncertainties associated with transitioning to a decarbonised economy.

Table 2 outlines each transition risk, providing an assessment summary, overview of current and anticipated impacts and a summary of preventative and mitigative management actions.

In contrast to the physical risks, Transpower anticipates its transition risks will be most prominent in the 1.5-degree scenario where rapid electrification leads to significant increases in electricity demand. Anticipated impacts were assessed against this scenario.

Transpower has not quantified the anticipated financial impacts associated with its transition risks. Failure to effectively manage these transition risks could adversely affect Transpower's reputation, stakeholder confidence, and social licence to operate, which may in turn result in financial consequences such as reduced revenue opportunities, increased costs, or constraints on access to capital. Reliable quantification of these impacts is not currently possible.

This reflects significant estimation uncertainty arising from several factors, including uncertainty regarding future regulatory and policy settings, the pace and scale of electrification, the adoption of new technologies across the electricity sector, and evolving stakeholder expectations. In addition, the financial effects associated with certain transition risks, such as reputational impacts, are indirect in nature and difficult to isolate from other drivers of organisational performance.

Consequently, Transpower is currently unable to develop sufficiently robust and reliable quantitative estimates of anticipated financial impacts for these transition risks. Transpower will progressively enhance its capability to assess and quantify anticipated financial impacts as methodologies, data availability and internal modelling capabilities mature.

Transpower has identified a broad percentage of business activities vulnerable to transition risk, determined by the proportion of forecast capital expenditure spend on major and customer capital compared to overall capital expenditure spend (base, major and customer). This percentage broadly captures the relative spend on enhancing grid service levels, compared to maintaining them. For FY25-FY30 this is forecast to be 49%, up from 28% over the previous five years.

2.4.3 Opportunities

Assessment of climate-related opportunities considered areas within Transpower's value chain where climate change could enhance its operations or provide additional benefits to the organisation.

Table 3 outlines each opportunity, providing an assessment summary, overview of current and anticipated impacts, and a summary of management actions.

Transpower anticipates that the 1.5-degree scenario where the nation electrifies rapidly is where its opportunities will be most prominent. Anticipated opportunity impacts have been assessed against this.

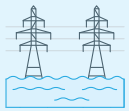
Transpower's primary opportunity relates to expanding the grid to enable electrification and the anticipated financial impact of this opportunity has been quantified. Transpower has also quantified its opportunity around access to talent. The opportunity around technological advancements is less tangible and subject to significant uncertainty, so Transpower has not quantified the anticipated financial impact of this.

Alternatively, Transpower has provided a broad figure of business activities aligned to climate-related opportunities (which is different to the current and anticipated impact). Transpower's view is that this figure is equivalent to its vulnerability to transition risks set out above, as they equally relate to enhancing grid service levels through the expansion to enable electrification. For FY25-FY30 this is forecast to be 49% up from 28% for the previous five years.

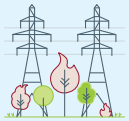
As a matter of necessity, Transpower will adapt its asset planning and investment strategies with forecast climate change impacts.

As a result of the current year's materiality assessment of the climate-related risks and opportunities, Transpower has removed the previously identified opportunity on 'Long term optimised grid plan to enable electrification through Net Zero Grid Pathways'. The opportunity is no longer considered material on a standalone basis, as it is captured within several of the remaining climate-related risks and opportunities.

2.4.4 Table 1: Physical risks

Assessment Summary	Impacts in FY26	Future Impacts	Management Actions
Acute hazard – Flooding of rivers, waterways, estuaries, coastal locations, lakes, hydro dams, storm water, and local drainage systems			
 Heavy rainfall is increasing in both intensity and frequency. This presents a risk to assets on substation sites, transmission line structures, accessways, bridges and culverts. **Exposure threshold:** For substations with inundation greater than 0.2m and with a current return period[8] less than 450 years. **Grid asset locations exposed to hazard:** Approximately 21% (FY25: 20%, FY24: 20%) of substation sites and 2-3% (FY25: 2.1%, FY24: 1.5%) of transmission line structures are exposed to varying vulnerabilities. Structures are exposed near braided rivers in the South Island and rivers in Hawke's Bay, on the West Coast, Nelson, Fiordland, and north of Auckland. **Commentary on asset vulnerability:** Station asset vulnerability is dependent on inundation depth; structures are vulnerable to water velocity, debris and scour.	Severe weather events in the South Island damaged accessways and transmission line structures and required river protection works to prevent further damage. **Current financial impact:** Severe weather in June 2025 resulted in FY26 financial impacts of $5m related to flooding ($8m total costs including land instability impacts). Further severe weather in October 2025 resulted in additional flood-related impacts of < $1m ($1m total costs including extreme wind impacts), and flooding in the Motueka river in January 2026 resulted in flood-related impacts of $1m.	**Timeframe:** Short-term through to long-term. **Future impact commentary:** It is anticipated the frequency and severity of flooding events would increase, which is expected to lead to more frequent impacts on vulnerable assets. **Anticipated financial impact:** This risk eventuating could lead to increased repair and maintenance costs, insurance premiums and capital expenditure. For substation flooding, the anticipated cumulative financial impact[9] from 2026 to 2090 is estimated to increase by $26m, from $54m to $80m for costs in damages (prior to insurance coverage), due to climate change. Impacts are calculated out to 2090 (2081 to 2100 long-term horizon mid-point) – aligned with many available New Zealand-specific datasets. This calculation is limited to substations only, with financial impacts from transmission line structures, accessways, bridges and culverts not included, due to insufficient data. We intend to include these in the quantification in the future, as additional datasets become available and when further analysis has been undertaken across our asset base. **Related indicators (i.e., metrics without targets):** • Resilience history. **Related targets (i.e., metrics with targets):** • Grid Performance 1 and 2.[10]	Transpower is undertaking targeted flood resilience works where a credible flood risk has been identified. Transpower has $53m for its FY25 to FY30 work programme to strengthen substation resilience to flooding risks and mitigate risks for towers near braided rivers. Delivery investigations are underway. Transpower will continue to undertake detailed flood analysis to refine assumptions on the impact of climate change on event return periods, and asset vulnerability at a site level, and progress desktop and detailed flood analysis on the severity of flood events. Transpower will work to further understand the vulnerability of transmission line structures, access ways and bridges and culverts.
Acute and chronic hazard – Land instability through direct movement of the land and erosion over time			
 Poor ground stability can threaten the integrity of towers, poles, substations, accessways, bridges and culverts. **Exposure threshold:** Transpower has not been able to set an exposure threshold due to the difficulty in quantifying the size and likelihood of site-specific land instability risks. **Grid asset locations exposed to hazard:** Approximately 1% (FY25: 1%, FY24: 1%) of the tower and pole assets are recorded on our national register of all known land instability issues. Areas most likely affected are Northland, Tairāwhiti-East Coast, Rangitīkei, and Nelson-Marlborough. **Commentary on asset vulnerability:** Approximately 0.2% (FY25: 0.2%, FY24: 0.2%) of towers require remedial action to protect our assets.	Severe weather events in the South Island damaged accessways and transmission line structures and required work to address slips, erosion, and debris. **Current financial impact:** Severe weather in June 2025 resulted in financial impacts of $3m in FY26 related to land instability ($8m total costs, including flooding impacts). Further severe weather in February 2026 damaged access to Fighting Bay, resulting in additional impacts of $1m.	**Timeframe:** Short-term through to long-term. **Future impact commentary:** It is anticipated that the frequency of land instability events would increase, which is expected to lead to more frequent impacts on vulnerable assets. **Anticipated financial impact:** This risk eventuating could lead to increased repair and maintenance costs, insurance premiums and capital expenditure. We have not quantified this risk due to a lack of available scientific models linking climate change to land instability risks and analysis of asset vulnerability is required. We intend to quantify this financially in the future as suitable data/modelling becomes available. **Related indicators (i.e., metrics without targets):** • Resilience history. **Related targets (i.e., metrics with targets):** • Grid Performance 1 and 2.[10]	Over the last year Transpower has completed $15m of mitigation works. Transpower has $20m allocated for its proposed 2025 to 2030 programme of slope instability mitigations. Transpower will continue to monitor these risks and maintain a national register of all known land instability issues to our assets to facilitate planning and prioritisation of mitigations. Transpower continues to be actively engaged in the Landslides National Advisory Group (LNAG) and actively involved in research and sharing of technologies and probabilistic modelling to improve its ability to quantify impacts.

8. Average time or an estimated average time between events.
9. These figures will continue to change as new information becomes available.
10. See Section 4.2.4 for information on Grid Performance 1 and 2.

Assessment Summary	Impacts in FY26	Future Impacts	Management Actions
Acute hazard – Wildfire: Increased frequency of very high and extreme weather fire days			
 Overhead transmission lines can be damaged by, or start, a fire – either from proximity to vegetation and debris, or from equipment failure. Under certain conditions, a fire can become sustained and have wide impacts on land, property and people, and Transpower could be liable for these impacts if its assets are the cause of the fire. **Exposure threshold:** greater than 5% of days per year with Very High and Extreme fire weather days. **Grid asset locations exposed to hazard:** Currently 25% (FY25: 25%, FY24: 25%) of transmission spans are exposed. **Commentary on asset vulnerability:** All (FY25: all, FY24: all) exposed assets are considered vulnerable to starting a fire.	Transpower has not experienced material physical impacts in FY26. **Current financial impact:** No material financial impact in FY26.	**Timeframe:** Medium-term through to long-term **Future impact commentary:** If this risk eventuates it could lead to reputational and liability impacts. These impacts are considered to solely relate to damage caused to third party property from fires ignited by Transpower assets. Damage to Transpower assets is considered not material and mostly relate to wooden structures which are less than 10% of all our structures. From analysis of records since 1998, Transpower assets are not known to have caused any sustained widespread fires. **Anticipated financial impact:** This risk eventuating could lead to increased legal, repair and maintenance costs, insurance premiums and capital expenditure. The anticipated cumulative financial impact[11] from 2026 to 2090 is estimated to increase costs by $16m (from $24m to $40m). Impacts are calculated out to 2090 due to this being the mid-point of the long-term horizon 2081 to 2100 and aligned with many available New Zealand-specific datasets. Whilst we anticipate this risk becoming more significant from the medium-term onwards, financial impacts are quantified from the current period (2026) in order to capture a full view of future costs. Due to available fire weather data, the climate change scenario used is between the 2.5-degree and 3.5-degree scenarios. **Related indicators (i.e., metrics without targets):** • Resilience history. **Related targets (i.e., metrics with targets):** • Grid Performance 1 and 2.	Transpower has invested in aerial LiDAR[12] surveys of the network nationwide to obtain a baseline to understand vegetation risks. This modelling improves the ability to identify risks and undertake vegetation control, in addition to ongoing vegetation clearance inspections. A future program of aerial survey is in place the second national LiDAR survey was completed in May 2026. Ongoing investment in conductor inspection and conductor joint testing to reduce the probability of failure. The roll out of improved protection equipment helps to identify fault locations, so potential defects can be found before there is a repeat fault or equipment failure.
Chronic hazard – Sea level rise due to fresh water from melting ice sheets and glaciers, and ocean expansion as it warms			
 Sea level rise primarily presents risks to low-lying transmission line structures (poles and towers), underground cables, and substations. **Exposure threshold:** Assets in locations potentially exposed to coastal flooding with a current return period of less than 100 years, and up to 1.1m of sea level rise. **Grid asset locations exposed to hazard:** Less than 1% (FY25: <1%, FY24: <1%) of transmission line structures are exposed. Substation exposure has been quantified under the wider flooding risk to avoid duplication, please refer to flooding hazard. **Commentary on asset vulnerability:** Transpower has assumed that all (FY25: all, FY24: all) structures exposed to extreme coastal flooding may be vulnerable.	Transpower has not experienced physical impacts that are or have had a separately identifiable impact. **Current financial impact:** No material financial impact that is separately identifiable in FY26.	**Timeframe:** Medium-term through to long-term **Future impact commentary:** Assets may be inundated or affected by coastal hazards, resulting in impacts such as destabilisation of foundations, chloride damage to concrete, and accelerated corrosion around the water line. Anticipated financial impact: This risk eventuating could lead to increased repair and maintenance costs, insurance premiums and capital expenditure. Financial impacts have not been assessed as additional information and analysis of coastal hazards and asset vulnerability is required. Vulnerability is complex because it needs to consider factors such as foundation types and depths, soil types, structure loads, groundwater levels, wave action and erosion. We intend to attempt quantification in the future, as additional datasets become available and when further analysis has been undertaken across our asset base. **Related indicators (i.e., metrics without targets):** • Resilience history. **Related targets (i.e., metrics with targets):** • Grid Performance 1 and 2.	Transpower will improve understanding of this hazard and our asset vulnerabilities as well as develop cost effective options to manage the risks for impacted assets. Given that this is a chronic hazard there is expected to be expenditure required to mitigate this risk in the medium term. Transpower will explore opportunities to align with, or learn from, wider replacement, refurbishment, enhancement and development work, such as the innovation initiative to replace some towers with poles.

11. These figures will continue to change as new information becomes available.
12. Light Detection and Ranging (LiDAR), is a remote sensing method that uses light in the form of a pulsed laser to measure ranges (variable distances) to the Earth.

Assessment Summary	Impacts in FY26	Future Impacts	Management Actions
Chronic hazard – Increasing ambient air temperature			
 Increasing air temperature has the potential to reduce the rating of overhead transmission lines, primary stations equipment, and high-voltage direct current (HVDC) equipment. A reduction in rating means that equipment could not carry as much electrical current, limiting ability to move power around the country. **Exposure threshold:** No exposure threshold defined at this stage. **Grid asset locations exposed to hazard:** All (FY25: all, FY24: all) current carrying assets are exposed to increases in ambient temperature. **Commentary on asset vulnerability:** Lines and equipment which have previously been optimised, and those where the maximum operating temperature is lower, are anticipated to be the most vulnerable.	Transpower has not experienced physical impacts that are or have had a separately identifiable impact. **Current financial impact:** No material financial impact that is separately identifiable in FY26.	**Timeframe for impact:** Medium-term through to long-term. **Future impact commentary:** On average, these climate change scenarios may result in a 2-6% decrease in line ratings by 2090. As temperatures rise, it might become necessary to improve or replace overhead transmission lines and equipment at stations may need upgrades to cooling systems. **Anticipated financial impact:** This risk eventuating could lead to increased operating costs and capital expenditure. Financial impacts have not been assessed due to large uncertainties associated with assessing long-term system needs and ratings, and the wide range of potential solutions for possible climate impacts. We intend to quantify this financially in the future as suitable data/modelling becomes available. **Related indicators (i.e., metrics without targets):** • None. **Related targets (i.e., metrics with targets):** • None.	Transpower will gain insights from performance of primary stations and key HVDC equipment, which is already monitored during extreme temperature events, allowing determination of the need and timing of any associated equipment modifications. A review of impacts to overhead transmission line ratings is underway to identify those lines most vulnerable. Options will then be considered, such as the use of variable line rating, or existing physical works to achieve safe clearances or capacity issues. The clearance work and capacity upgrades are part of wider programmes, which can be leveraged to manage the impact of future increases in air temperature.
Acute hazard – Extreme winds from cyclones and other storms, including tornadoes			
 Extreme wind presents risks to overhead transmission lines from increased structural loading or damage from debris or vegetation. **Exposure threshold:** An exposure threshold for extreme wind has not been applied as there is low confidence associated with climate change projections for increases in extreme wind speeds. **Grid asset locations exposed to hazard:** Until further information is available, all (FY25: all, FY24: all) lines are considered exposed. Assets in the South Island and lower North Island are more likely to be exposed to increases in extreme wind speeds. **Commentary on asset vulnerability:** Some older transmission lines are more vulnerable where they have been designed to lower design standards. While extreme winds can also impact substations, these impacts are not considered material.	A severe weather event in the South Island in October 2025 brought high winds, damaging vegetation and requiring post-event inspections and maintenance. **Current financial impact:** This event resulted in financial impacts of less than $1m in FY26 related to extreme winds ($1m total for this event, including Flooding impacts).	**Timeframe for impact:** Long-term. **Future impact commentary:** Future impacts may include higher rates of asset failure, and associated impacts on reliability and repair costs. **Anticipated financial impact:** This risk eventuating could lead to increased repair and maintenance costs. Financial impacts for this hazard have not been quantified due to low confidence in the wind projections, and the complexity given site-specific variations related to both the assets and the hazard. We intend to quantify this financially in the future as suitable data/modelling becomes available. **Related indicators (i.e., metrics without targets):** • Resilience history. **Related targets (i.e., metrics with targets):** • Grid Performance 1 and 2.	Transpower is undertaking targeted tower and foundation strengthening works on existing assets, where higher reliability and resilience is required than can be provided by the relevant historic design standards. The Commerce Commission approved $14m for Transpower's FY25 to FY30 work programme to strengthen HVDC towers. Transpower has emergency response structures and steel poles available to minimise the impacts of possible structural failures and undertakes regular readiness exercises to ensure it can respond quickly. Transpower will develop transmission line modelling and information, as higher confidence climate projections become available. This will be used for wider asset management decision-making and be an enabler for network risk assessments.

Assessment Summary	Impacts in FY26	Future Impacts	Management Actions
Acute and chronic hazards – Various impacting International and Domestic Supply Chains			
 The resilience and reliability of Transpower's supply chains may be affected by various physical hazards. Extreme weather events may disrupt productions at factories, transportation networks, damage infrastructure, and halt operations at key nodes along international supply chains. Rising sea levels may impact coastal infrastructure, including ports, and shipping terminals and result in closure, delays, and loss or damage of inventory. Rising temperatures and heatwaves may impact operational efficiency of supply chain infrastructure and transportation vehicles. Climate change may alter global trade routes and shipping lanes due to changing weather patterns, sea ice melt, and shifts in ocean currents. Geopolitical tensions may create climate migrants and may result in responses including disruption to international supply chains. **Exposure:** All (FY25: all, FY24: all) supply chains. **Comment on vulnerability:** For some asset classes there is inadequate geographic diversity in suppliers.	During FY26, climate-related factors placed modest upward pressure on freight costs through fuel volatility, decarbonisation-related surcharges, and minor impacts to shipping reliability. While no major climate-driven disruptions affected key trade routes to New Zealand, shipping operators continued to pass through costs associated with emissions reduction initiatives and preparation for emerging International Maritime Organisation (IMO) climate regulations. Overall, climate-related factors are estimated to have had a low-single-digit percentage impact on total freight costs during the reporting period. **Current financial impact:** No material financial impacts in FY26.	**Timeframe:** Medium-term through to long-term **Future impact commentary:** Increasing disruption of production at factories, transportation networks, damaged infrastructure, and halting of operations at key nodes along supply chains. This would prevent timely and reliable access to critical equipment. **Anticipated financial impact:** Increasing supply chain disruptions could lead to increases in operating and capital expenditure. The financial impacts of this risk have not been quantified due to large uncertainties around where and how these impacts might eventuate, and insufficient data and visibility over climate-related exposure in Transpower's global supply chain. We intend to quantify this financially in the future if and when we are able to obtain more data across our supply chain. **Related indicators (i.e., metrics without targets):** • Global shipping costs and sailing durations. • Supply chain lead times for key equipment and materials. **Related targets (i.e., metrics with targets):** • None.	Transpower performs regular assessments of the relevant supply markets and maintains close management of relationships with key international and domestic suppliers of critical equipment and materials. Transpower considers and implements mitigations to reduce its risks. For example, major overseas manufacturing organisations Transpower relies on are based in Southeast Asia and India and subject to the impacts of typhoons and other extreme weather-related issues. As such, Transpower has ensured alternative manufacturing plants are available for the manufacturing of such assets. Transpower also continues to explore and implement opportunities for geographic diversity in critical suppliers where practicable. Transpower has increased stock levels and advanced ordering in response to material shortages and shipping delays. Additional warehouse space has been constructed in Bunnythorpe and Christchurch to support the anticipated increased work programme and associated demand for equipment and materials. Transpower has a focus on diversifying domestic warehousing locations to provide resilience against natural disasters within New Zealand and reducing our dependency on inter island transport risks.

Case Studies

Managing landslip risks to keep people and assets safe

In early-2023, Cyclone Gabrielle caused widespread destruction throughout Northland, among other regions. It reshaped people's lives and the land. For Transpower a key concern was ensuring our network remained secure and reliable in the region, with the potential risk of resulting landslips affecting our transmission towers at that time and the longer-term resilience and stability of the land.

Intense or prolonged rainfall can destabilise soil and slopes, leading to landslips. Over time, Transpower is improving its probabilistic mapping of future potential landslides under different seismic and rainfall return periods. We track all known slips and whether we are monitoring these risks or intervening on our national landslip database. Some of these risks we are addressing through our proactive resilience investment programme in RCP4, where we are investing to mitigate land instability for some towers, poles, bridges and access tracks.

In February 2023, a helicopter flyover identified 11 Northland towers to be checked, with a geotechnical engineer subsequent carrying out measurements to assess the risk. We identified five towers that would need to be relocated or undergo significant earthworks or stabilisation – some more urgently than others.

We decided relocation as the best course of action for all five towers. But determining where they should go, and what the region and its land will look like in another 50 years, is not an exact science.

With that in mind, geotechnical engineers deployed a range of technology and assessment options including historical data, laser detection to understand the topography of the land, and boreholes for determining the water table.

These inputs were then used to get a clearer idea of where the land is likely to move in future – and what the consequences might be.

One of the five towers has now been relocated, with construction expected early next year for the remaining four. With Northland continuing to be on the front line for severe weather events, ensuring a reliable and resilient electricity transmission supply is essential.

Stoke flood protection keeps the lights on

People in the Nelson-Tasman region rely on Transpower's Stoke substation to provide resilient, reliable electricity to power their homes and businesses. Our project to address accelerating erosion at this site and reduce the flood risk being caused by gravel deposition – a timely achievement given since we completed this work, severe flooding has hit the region on five occasions.

Our Stoke substation is unique: running through the middle of it is a stream that is a taonga for eight iwi and home to native, at risk, fish. Due to the location and nature of the stream's sediment and gravel the substation was at risk of asset damage and flooding, especially in extreme weather events. Although a plan to control erosion was in place, severe flooding in 2022 caused significant damage and urgent action was needed to protect our assets and the environment.

Transpower has a strong commitment to delivering biodiversity gains as part of its project management practice, and this project's environmental requirements were high. We needed Department of Conservation approval to work in the stream, resource consents, an approved method for vegetation removal, a fish rescue and relocation plan, and a process for riparian planting. This was to ensure a sustainable future for aquatic life, in harmony with the past.

Eight iwi have connections to this stream, which is important as a historical food source. Transpower's commitments to working for mutual benefit with iwi and hapū meant achieving meaningful engagement was essential.

The project works included gabion basket revetment on both sides of the stream, re-shaping the stream channel to increase river flow rate through the site and reduce gravel deposition, adding stop-banks to protect the most vulnerable areas and adding stormwater infrastructure around the bridge to capture water coming down from cable trenches.

Undertaking this work involved engaging with multiple parties, supporting and training workers to be in a high-risk substation environment, and carefully managing our native creatures, including by avoiding breeding and migration seasons. Local experts and fit-for-purpose methodology helped us build stakeholder trust in responding to this climate risk.

The project was delivered under budget and within the environmental designated construction period. Further erosion has been prevented and through more recent flood events our protection works have remained intact.

2.4.5 Table 2: Transition Risks

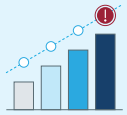
Summary	Impacts in FY26	Future Impacts	Management Actions
Not having the right grid at the right time to respond to rapid electricity demand changes			
 The rapid growth in electrification may present challenges for Transpower to keep pace with required grid upgrades in time to meet demand growth impacting secure and reliable supply. This relates both to our core grid infrastructure and connection assets enabling new load and generation to access the grid. This could stem from slow planning or delivery, funding, environmental approvals, access right acquisition processes, supply chain issues, regulatory barriers or inaccurate forecasting. Failure to deliver the grid fast enough to keep up with demand could result in Government intervention, including a potential restructure of the market and/or the loss of Transpower's position as the incumbent provider. Conversely, over-building could lead to higher costs for consumers – this, in turn, could lead to loss of social licence eroding trust on the power system, and slowing the transition.	Peak demand continues to grow as expected and connection enquiries for both new generation and demand remain high with significant volumes in FY26. Although demand growth and connection activity remained elevated during FY26, no material impacts arising from this risk were identified during the reporting period. The resulting queue to connect remains a key operational focus and enabling a faster pace of grid build to ensure generation can join without delay. Transpower's customer connection pipeline and integrated transmission planning processes continue to provide good visibility of growth across a range of demand and generation connection locations, which informs grid development. **Current financial impact:** No material financial impacts in FY26.	**Timeframe:** Short-term through to medium-term **Future impact commentary:** Potential risk of power outages especially during peak demand. Potential risk of regulatory and structural intervention. Risk to social licence. **Anticipated financial impact:** If Transpower failed to deliver grid infrastructure fast enough or lost its incumbency position, the main financial impact would be a deficit to the asset base on which a regulated return could otherwise be derived. The amount of lost potential to the regulated asset base (RAB) is highly uncertain and unable to be quantified at this time; it represents a loss of demand that might otherwise have been built had there been greater investor confidence or potentially the loss of business to an alternative provider. **Related indicators (i.e., metrics without targets):** • Generation and demand customer enquiries. • Twenty highest daily peaks each year. • Annual electricity demand. • Major capital expenditure. **Related targets (i.e., metrics with targets):** • Hiring targets. • HVDC capacity increase. • Central North Island capacity increase. • Wairakei ring capacity increase. • New Generation connection targets. • Base capital expenditure.	There are various mechanisms through which Transpower monitors, and has acted or is acting, to ensure it has the right grid at the right time to respond to rapid electricity demand changes, these include: • detailed demand and transmission system planning forecasting, in response to both externally sourced information and an asset feedback loop; • the ongoing implementation of the Net Zero Grid Pathways major programme of work to enable electrification demand through $393m of least-regrets grid backbone upgrade works; • the development of a Future Grid Blueprint, which is expected to be finalised and published in 2027. This will be an evidence-based, long-term plan to 2050 that identifies 'low regrets' transmission investments across multiple future scenarios to enable New Zealand's electrification, economic growth, and a reliable, affordable electricity system; • the implementation of several cross-divisional change programmes which have increased the pace of Transpower's end-to-end planning and delivery of grid investments and customer connections; • scaled up internal and external resources to support the growing planning, investigation and delivery workload.

Summary	Impacts in FY26	Future Impacts	Management Actions
Inability to integrate and operate a secure system with new technologies[13]			
 In the role of system operator, Transpower may face challenges integrating new generation and supporting technologies promptly, complicating system security management. These technologies may demand different modelling and analysis, new processes, or market design changes. They can also change the behaviour of the power system and introduce new challenges in terms of power system stability and health. Present uncertainties might deter new market entrants from developing in New Zealand and joining the power system, as they may opt for other markets overseas instead.	Integrating assets that use new technologies is increasing with the growing amount of grid-scale batteries and solar. Whilst they are not yet at a scale that is causing issues, the risks are increasing; but so too is industry experience. **Current financial impact:** No material financial impact in FY26.	**Timeframe:** Short-term through to medium-term. **Future impact commentary:** Higher risk of power system security events and potentially slower transition lead to consumer and industry impacts. This in turn leads to reputational impacts for Transpower. **Anticipated financial impact:** Whilst direct financial impacts may arise from this risk realising (in terms of compliance fines of up to $2m in respect of all events occurring in any financial year), there is an intangible dimension to the impact of trust in Transpower's operation (as system operator) of the real-time power system and its social licence. The potential financial impact of this intangible aspect of this risk cannot be accurately quantified. Further, reputational impacts could lead to regulator or government intervention which could risk separation or loss of the system operator service (approximately $50 to $60m per annum of revenue). **Related indicators (i.e., metrics without targets):** • None. **Related targets (i.e., metrics with targets):** • None.	Transpower is working with the Electricity Authority on the Future Security and Resilience programme. This programme recognises that the transition to a low-emissions power system is expected to bring increasingly distributed sources of generation, and more new renewable generation technologies. This multi-year programme includes a broad suite of actions to assist in maintaining a secure and resilient power system with much higher penetration of solar, batteries, and other renewables. It also aims to address issues around the Electricity Industry Participation Code, technology standards, market settings, and the operational visibility of distributed energy resources (DER). Transpower regularly conducts its own studies to understand the impact of new technologies and the changing power system. Other countries are experiencing these challenges ahead of Transpower, providing opportunity to utilise learnings from elsewhere.
Adverse stakeholder reaction to grid build-out			
 Stakeholder opposition to grid expansion may lead to delays, additional cost, litigation and longer, more frequent disruptions. This can create tension and complicate relationships. Adverse reactions can increase negotiation time and costs for acquiring rights to occupy land and access to such and may pose safety risks for Transpower and service provider staff. Exercising compulsory acquisition could harm Transpower's community reputation; it might also create challenges in accessing sites for grid projects and maintenance.	Research in FY26 highlights a lack of understanding of electrification and the need for additional infrastructure. There is also widespread concern regarding the impact on household bills of the cost of any new infrastructure While broad support exists for renewable energy, New Zealanders don't particularly want to live near electricity infrastructure, such as transmission infrastructure. This remains a risk to project schedules and costs. In FY26 there were a small number of instances where landowners opposed our land access for grid upgrades, increasing the time and cost of projects, and in one instance risked delaying commissioning of a major grid upgrade. **Current financial impact:** No material financial impact in FY26.	**Timeframe:** Short-term through to medium-term **Future impact commentary:** Inability to ensure appropriate land acquisition and access and environmental approvals for existing and ongoing works could increase costs and project delays. **Anticipated financial impact:** This risk eventuating could lead to increased capital expenditure. Due to a very wide range of outcomes and the intangible dimension to the impact of social licence on our work, the potential financial impact of this risk cannot be accurately quantified. **Related indicators (i.e., metrics without targets):** • None. **Related targets (i.e., metrics with targets):** • None.	Transpower takes a comprehensive approach to engaging with industry, communities, and stakeholders. This includes proactive outreach, awareness raising, regular audits and surveys to gauge perceptions, and planned communication strategies considering potential risks. Transpower is refreshing its stakeholder strategy. It has existing strategies underpinning iwi and community programmes maintaining dialogue with mana whenua, especially in sensitive areas. Transpower uses its social media presence to proactively enhance awareness and acceptance, and educates landowners about its activities on their land. Initiatives such as the Community Care Fund support community acceptance of Transpower assets. Transpower has advocated for changes to the Public Works Act 1981 to reduce the timeframes for compulsory land acquisition in situations where commercial negotiations fail. These changes are before parliament. Te Kanapu is identifying the transmission infrastructure needed to support the electrification transition. Transpower also seeks transmission alternatives/non-transmission solutions (such as battery energy systems and demand management solutions), where appropriate, when investigating options to resolve transmission constraints.

13. Risk title re-named in FY26 to better align with its intended focus on Transpower's system operator role.

Summary	Impacts in FY26	Future Impacts	Management Actions
Regulatory frameworks and policy become a barrier[14]			
 Transpower is a highly regulated business, so is materially impacted by the various regulatory frameworks to which it is subject. The Commerce Commission sets Transpower's allowances for grid-related work, while the Electricity Authority contracts with Transpower for its system operator role. Policy and regulatory frameworks may not evolve quickly enough to appropriately prioritise sector actions required for climate change mitigation and adaptation, or to support the deployment of new energy technologies. This could inhibit Transpower's ability to effectively enable New Zealand's electrification transition. Regulators may not share Transpower's view of the investment required in the transmission grid or the level of service expected from the system operator and may provide imperfect signals about how Transpower should invest in and operate the transmission grid and power system. Regulators may fail to change market rules to enable the effective incorporation or effective system operation of new technologies into the real-time power system. Other regulators may impact Transpower's operational delivery (e.g. failure to grant resource consents).	The Commerce Commission's regulatory settings did not change during FY26. The Commerce Commission approved Transpower MCPs during FY26. Transpower, in its role as system operator, will commence negotiations for the funding and service arrangements for the system operator service with the Electricity Authority from early-2027 to agree services from July 2028. **Current financial impact:** No material financial impact in FY26.	**Timeframe:** Short-term through to medium-term. **Future impact commentary:** Policy and regulation may not provide sufficient certainty for Transpower to propose projects to enhance or develop the grid, including for resilience needs, or required to meet the grid reliability standard. In 2028, Transpower will propose its five-year base expenditure for 2030-2035 to maintain the grid. Regulatory (or policy) settings may not allow Transpower to secure regulatory approval for enhancement of development projects, and to maintain the grid, if it cannot demonstrate that these are net beneficial to electricity consumers i.e., it is not allowed to quantify wider benefits to New Zealand beyond those associated with the electricity market. The Government's response to the Review of Electricity Market Performance by Frontier Economics[15] has focused on the electricity market. The response is leading to changes in market settings targeted at improving the market's response to dry year risk and security of supply. **Anticipated financial impact:** If Transpower does not obtain the necessary regulatory approvals (including financial and consenting approvals) for investments to support electrification, it may be unable to proceed with those investments. The financial impact cannot be quantified at this stage, as it depends on the specific enhancement projects involved and whether they proceed regardless of regulatory approval. Similarly, if we do not receive sufficient funding for system operations, we may not be able to operate the system in line with stakeholder expectations. **Related indicators (i.e., metrics without targets):** • None. **Related targets (i.e., metrics with targets):** • None.	Transpower is working with its regulators to ensure alignment on potential issues arising from the various regulatory frameworks. Transpower proactively seeks appropriate regulatory change by continually engaging with its regulators and advocating for changes to regulation and Government policy statements / Government energy strategy, so that investment criteria enable having grid in the right place at the right time. Transpower is undertaking an operational review of the Transmission Pricing Methodology (TPM) and intends to submit proposed variations to the TPM to the Electricity Authority to support better investment decisions from parties who are connected or are intending to connect to the grid. Transpower has started the Tararua MCP which is intended to test the scope of the regulatory framework to allow for enabling capacity. This will test both the Commerce Commission's regulatory framework and the transmission pricing arrangements. Transpower is updating its System Operator Strategy to ensure it can continue to operate the system to meet stakeholders' expectations. The System Operator Strategy includes setting out priorities of what it needs to do over the next few years to achieve the identified strategic outcomes. Transpower undertakes ongoing monitoring of regulatory developments in New Zealand and other jurisdictions and maintaining relationships in the operational environment. Transpower engages with various agencies on non-electricity industry specific regulation affecting Transpower such as the National Adaptation Plan, the Emissions Reduction Plan, and resource management reform.

14. Risk title re-named in FY26 to improve clarity and precision of wording.
15. Review of electricity market performance | Ministry of Business, Innovation and Employment

Summary	Impacts in FY26	Future Impacts	Management Actions
Industry failure to manage peak demand			
 The industry faces challenges in meeting winter peak demand due to insufficient generation sources that can provide peaking generation at times of high demand. Coordinated efforts are needed during cold winter evenings and mornings, which could result in supply shortfalls and power outages. Increased wind and solar generation since 2019 create supply challenges when wind drops on dark winter mornings or evenings, reducing available generation at peak demand periods. Few new variable renewable generators have batteries to handle these situations, although we are seeing plans from participants for hybrid plant with generation and storage. About half of the country's thermal capacity is slow-start and not designed for peak demand, requiring advance notice. As thermal generation declines, there will be less thermal generation available at peaks. In our role as system operator Transpower must inform the industry when margins are low and provide market information on when supply (generation) is required. Poor communication and poor management of the situation risks fines and reputational damage.	Rising average winter temperatures in the upper North Island over the past decade have reduced the frequency of sustained cold periods, but the system still experiences sharp cold snaps that match some of the coldest days on record. This trend has continued through FY26. Meeting these sporadic extremes in FY26 has become more challenging as the growth in supply continues to be mostly intermittent in nature. This is most notable in solar as it expands from less than 100MW to over 500MW. This expansion will continue to see slow start thermal generation running less and less, and expose the power system to a new generation forecast variable – solar radiation. This will make the co-ordination of slow start thermal harder than the previous years, and will be most noticeable in the shoulder seasons when extended daylight hours cover peaks demand periods and solar forecast uncertainty and load will be high. Alongside the growth in peak demand, connection enquiries for both new generation and demand have risen in FY26 (after a dip in FY25), surpassing the previous high set in FY24. The resulting strong connection pipeline remains a key operational focus along with enabling a faster pace of grid build to ensure generation can join without delay. There have been no material compliance issues from failing to manage peak demand in FY26. **Current financial impact:** No material financial impact in FY26.	**Timeframe:** Short-term through to medium-term. **Future impact commentary:** Higher risk of increased power outages during peak times, and the associated reputational and financial (through fines) impacts of this, if managed sub-optimally. The reputational risk affects trust in the entire electricity industry to maintain reliable supply as New Zealand transitions over time away from fossil fuels. If the sector cannot provide this certainty, it risks slowing New Zealand's wider electrification efforts. The Government has signalled a potential increase to current statutory limits of liability beyond the current $2m limit. **Anticipated financial impact:** We have not quantified this risk as the maximum fine for non-compliance is $2m per annum which is not material. There is also a material, yet intangible, dimension to the impact of trust from the Government, regulators, potential generators and/or consumers in Transpower's operation (as system operator) of the real-time power system and its social licence. The potential financial impact of this intangible aspect of this risk cannot be accurately quantified. For example, the impact of the peak demand power outage on 9 August 2021 has resulted in significant operational change to how Transpower now approaches tight peak periods, and has continued to result in material political and stakeholder focus on any such pending periods. Further, reputational impacts could lead to regulator or government intervention which could risk separation or loss of the system operator service (approximately $50 - $60m per annum of revenue). Such trust and reputation impacts could also lead to the pace of the energy and associated electrification transition slowing. **Related indicators (i.e., metrics without targets):** • Twenty highest daily peaks each year. • Annual electricity demand. • North Island Winter Capacity Margin. **Related targets (i.e., metrics with targets):** • HVDC capacity increase. • Central North Island capacity increase. • Wairakei ring capacity increase.	Transpower has implemented improved information provision to industry to enable decision making from both demand and supply participants to help address risk periods. In FY26 we refreshed and enhanced our Low Residual Notice processes, improving clarity, timing, and the consistency of information provided to industry participants. We also continue to run regular emergency preparedness exercises with generators, distributors, and major users to ensure a coordinated response in the event of major supply disruption. Transpower also supported generators and lines companies to increase outage flexibility during winter, helping reduce the likelihood that planned maintenance would coincide with tight supply periods. Recognising the importance of timely investment, Transpower improved its new-connection processes to speed up the connection of new generation and storage projects. We also simplified elements of the market systems to reduce update costs for participants and improve the efficiency of system changes. To support better operational decision-making, Transpower has led industry improvements in wind, solar, and load forecasting, through direct investment, operational trials, and continued engagement with the Electricity Authority on future-market design. Transpower advocated for the Electricity Authority to fund a centralised forecaster for wind and solar. During 2026 the Electricity Authority engaged DNV to become the central forecasting agent for both wind and solar generation in New Zealand. This has seen an improvement in wind and solar forecasting and given operations access to the degrees of confidence of these forecasts. Transpower continues to advocate for, and support the development of, BESS (battery energy storage system) and demand-response mechanisms, which are essential for managing peak-demand risk in an electricity system with a high proportion of intermittent renewable generation.

Summary	Impacts in FY26	Future Impacts	Management Actions
Industry failure to manage energy demand (dry-year risk)			
 The industry must ensure there is enough electricity to meet demand, especially during dry years when low rainfall affects hydro generation. Transpower assesses supply outlooks regularly and provides information to market participants to inform them of potential shortages. Rising risk stems from growing electricity demand due to electrification and the retirement of baseload thermal generation that currently supplements shortfalls. Furthermore, climate modelling indicates: • more rainfall in general; • more hydro inflows in winter and less inflows in summer as less winter rain is stored as snow, with less subsequent summer snow melt; • more prolonged drought, flood events leading to more low storage events and spilling events due to the small size of our hydro lakes. Transpower's responsibilities in its role as system operator include managing and coordinating market support, such as providing regular energy supply reports and administering conservation campaigns during periods of potential shortage like dry years. This risk intensifies with increasing demand.	The lead up to FY26 saw hydro storage fall to very low levels due to record-low inflows and reduced wind generation, which significantly increased dry-year risk and raised concern about winter energy adequacy. Generators responded by securing additional coal and gas supplies, and industrial gas users reduced production to free up gas for electricity generation. These actions, combined with improving inflows from late May, stabilised storage heading into winter. While these measures alleviated short-term risk (and resulted in no material impacts occurring in FY26), FY26 again highlighted the power system's heavy reliance on thermal generation and industrial demand response to manage dry-year conditions. With declining domestic gas availability and limited firm, dispatchable alternatives, the 2025 Security of Supply Assessment noted New Zealand remains vulnerable during prolonged dry periods, underscoring the need for sustained investment in new renewable generation, flexible capacity, and demand-side tools. **Current financial impact:** No material financial impact to Transpower.	**Timeframe:** Short-term through to medium-term. **Future impact commentary:** Higher risk of low energy years where consumers are asked to conserve power, and in extreme cases, experience rolling outages. **Anticipated financial impact:** There is an intangible dimension to the impact of trust in Transpower's operation (as system operator) of the real-time power system and its social licence. Further, reputational impacts could lead to regulator or government intervention which could risk separation or loss of the system operator service. This could result in reduction to revenues and increased compliance costs. The potential financial impact of this intangible aspect of this risk cannot be accurately quantified. **Related indicators (i.e., metrics without targets):** • Annual electricity demand. • New Zealand Winter Energy Margin. • South Island Winter Energy Margin. **Related targets (i.e., metrics with targets):** • HVDC capacity increase. • Central North Island capacity increase. • Wairakei ring capacity increase.	Transpower has improved information provided to industry to enable decision making from both demand and supply participants to help avoid risk periods but does not have the levers to otherwise address energy demand issues itself. Solving this issue requires an all of industry approach that is supported by regulators and the market. Transpower continues to assess and publish its Security of Supply Assessment (for both energy and capacity) annually and has reviewed the inputs and approaches to assessing both energy and capacity sufficiency. In FY26 a new Security of Supply Forecasting and Information Policy was implemented. It allows for greater certainty when generators are accessing contingent storage, ultimately enabling easier operation of hydro generation when they are at the lower end of their storage. Transpower has updated and improved the rolling outage plan in the event hydro storage was to run out, and carried out an industry exercise around such. This update was to make sure workable plans are in place with industry. Transpower maintains and regularly reports electricity risk curves over an approximately two-year horizon. The electricity risk curves are designed to reflect the risk of extended energy shortages in a straightforward way using a standardised set of assumptions. These set out the trigger points for national alerts on when an Official Energy Conservation Campaign is required.

Summary	Impacts in FY26	Future Impacts	Management Actions
Global shortages of critical equipment and capabilities			
 As global demand for electrification increases, the pressure on supply chains has intensified. Transpower may experience challenges in procuring essential equipment and capabilities, leading to potential delays in upgrading and expanding the network. This could impact Transpower's ability to reliably support the nation's growing renewable energy sector and accommodate future increases in electricity demand. The situation poses risks of increased costs and project delays, potentially hindering Transpower's role in enabling the energy transition.	Heightened demand for renewable energy infrastructure worldwide has resulted in some supply chain bottlenecks, increasing the lead times and cost for such equipment and capabilities globally. For example, this has been the case in relation to subsea HVDC cables for Transpower's HVDC MCP, where Transpower has had to enter into a contract for four new HVDC cables in FY26, and make payments to secure a manufacturing, delivery and installation slot in 2032, given the demand on HVDC cables globally. **Current financial impact:** Transpower has experienced increased prices across equipment categories throughout FY26, as a result of increased raw materials pricing driven by global demand, and foreign exchange fluctuations. Determining the impact the heightened demand for transmission infrastructure worldwide has played to the increase in equipment costs requires significant assumption about the magnitude of such impact relative to several other contributing factors. The range of possible outcomes and probabilities is too large to make a relevant estimate. Consequently, the degree of measurement uncertainty involved in estimating these financial effects is so high the resulting quantitative information would not be useful.	**Timeframe:** Short-term through to medium-term. **Future impacts commentary:** Heightened demand for electricity and renewable energy infrastructure worldwide may cause further supply chain bottlenecks, decreasing the availability and increasing the cost of equipment and capabilities. Shortages of critical equipment and spare parts could result in unplanned outages and/or delays in delivering key projects relating to Transpower's electrification work programme. **Anticipated financial impact:** The regulated nature of Transpower's business – operating within an approved allowance – along with the current dynamics of the global economy and the impact of the finite regulated allowance on an accurate materials demand forecast, means the anticipated financial impact of this risk cannot be accurately quantified. Further, there is an intangible dimension to the impact of this risk – that is global shortages of critical equipment and capabilities also may impact Transpower's ability to reliably support the nation's growing renewable energy sector and accommodate future increases in electricity demand. Such failure would degrade Transpower's social licence. The potential financial impact of this intangible aspect of this risk also cannot be accurately quantified. **Related indicators (i.e., metrics without targets):** • None. **Related targets (i.e., metrics with targets):** • None.	Transpower performs regular assessments of the relevant supply markets and maintains close management of relationships with key international and domestic suppliers of critical equipment and materials. For critical equipment, such as sub-sea HVDC cables, needs are assessed, and suppliers are engaged with well ahead of time to ensure Transpower's needs (which are relatively small in global terms) can be met with surety. The building of stronger supplier partnerships has increased Transpower's knowledge of market variability, and this strengthened its market analysis. Transpower continues to explore and implement opportunities for diversity in critical suppliers, where practicable. Transpower has increased stock levels and advanced ordering in response to material shortages. Additional warehouse space has been constructed in Bunnythorpe and Christchurch to support the anticipated increased work programme and associated demand for equipment and materials.

2.4.6 Table 3: Opportunities

Summary	Impacts in FY26	Future Impacts	Management Actions
Increase in demand for grid infrastructure			
 Electrification increases demand for transmission infrastructure. Accordingly, Transpower's regulated asset base will grow which will generate returns to debt and equity holders.	Transpower secured approval for in excess of $1b in upgrades to the existing grid under a number of MCPs including the Western Bay of Plenty, Redclyffe and the first stage of the HVDC cable replacement programme. In addition, we are progressing applications for several other major initiatives, including WUNI2 (Waikato and Upper North Island) and the HVDC Stage 2 upgrade, which will increase transfer capacity for South Island renewables. **Current financial impact:** Transpower's asset base has increased by $237m over FY26. The majority of the increase in asset base is due to electrification.	**Timeframe:** Short-term through to medium-term. **Future impact commentary:** Opportunity to grow and enhance resilience of the grid to meet the electrification needs of the country. **Anticipated financial impact:** Transpower's asset base is forecast to increase from $6.3b in FY26 to $15.5b by FY35, an increase of 144%. It is assumed that the majority of the increase in asset base is due to electrification. The increased asset base will generate returns to debt and equity holders and enable the addition of additional load and generation assets to contribute to the growth of other New Zealand businesses. Transpower's financial impacts have only been quantified to FY35 because there is insufficient certainty to produce reliable estimates beyond that date. **Related indicators (i.e., metrics without targets):** • Generation and demand customer enquiries. • Twenty highest daily peaks each year. • Annual electricity demand. • Major capital expenditure. **Related targets (i.e., metrics with targets):** • Hiring targets. • HVDC capacity increase. • Central North Island capacity increase. • Wairakei ring capacity increase. • Base capital expenditure.	Through its Te Kanapu initiative, Transpower is developing a Future Grid Blueprint that explores what the national grid may need to look like in 2050 to support New Zealand's economic growth and transition to net zero. The Future Grid Blueprint will provide an evidence-based foundation for identifying where and when transmission investment may be needed to ensure the right grid is in the right place at the right time. Workforce planning is undertaken to plan for the internal and external resources required to deliver Transpower's work programme. Transpower has cross-divisional programmes under way to streamline delivery, some of which are focused on internal change and others on advocating for regulatory change (see the earlier transitional risk Regulatory Frameworks and Policy Become a Barrier). Maintaining Green Bond certification across all Transpower debt enables Transpower to access a wider range of funding markets and secure the debt required for anticipated investment needs at the lowest available cost.

Summary	Impacts in FY26	Future Impacts	Management Actions
Attract, develop and retain talent[16]			
 Transpower can position itself as an electrification transition leader, attracting, developing and retaining people aligned with this intent.	Transpower has noted an increase in the number of responses for job advertisements. Anecdotally, many applicants are motivated by a desire to work in a sector contributing positively towards electrification. **Current financial impact:** Based on Transpower's workforce growth to 30 June 2025, an allowance uplift of $45m was secured from the Commerce Commission for the 1 April 2026 to 31 March 2027 pricing year.[17] It is assumed that a significant amount of the workforce growth is linked to the increase in asset base, which is due to electrification.	**Timeframe:** Short-term through to medium-term. **Future impact commentary:** Transpower continues to plan for and undertake workforce growth and ensure our Service Providers are engaged in the growth requirement to deliver on the increasing programme of work. **Anticipated financial impact:** If Transpower continues to meet the expected workforce growth requirements, additional allowance uplifts totalling $149m would be available for the FY27 to FY30 period. Transpower has achieved its FY26 workforce target by 30 June 2026 which would result in an allowance uplift of $49m[18] for the 1 April 2027 to 31 March 2028 pricing year. A significant amount of the workforce growth is driven by the work to support the increase in asset base, which is due to electrification. Given the regulated nature of Transpower's business, with five-yearly regulatory periods, there is no data available to accurately quantify the anticipated financial impact of this opportunity following FY30. **Related indicators (i.e., metrics without targets):** • None. **Related targets (i.e., metrics with targets):** • Hiring targets.	Transpower is expanding on its Employee Value Proposition to deliver a compelling message "powered by you". It is being deployed in recruitment campaigns to attract employees and more broadly generate awareness of the transmission sector. Transpower has a workforce plan to ensure it has the people capability required to deliver on its work programme. Workforce growth is incentivised by the Commerce Commission to support the delivery of the work programme. Engagement with Service Providers is being undertaken to ensure they are aware of the work programme growth. Transpower is an Accredited Employer with Immigration New Zealand. Immigration settings continue to change and are positive, enabling transmission and non-NZ transmission workforce types to be engaged. Transpower's Chief Executive is involved in the Champions for Change initiative aimed at engaging more people (greater gender diversity) in STEM and the electricity sector, with focus for the electricity sector on the gender pay gap. Transpower's employee attraction and development programme has been refreshed to promote a "diverse first" approach to promoting, attracting, selecting, developing and progressing women at Transpower. Transpower's Graduate Programme provides a pipeline for engineering roles. The Summer Internship Programme provides a pipeline of candidates for the Graduate Programme. Transpower's ten technical progression programmes provide career pathways for technical progression in key knowledge domain areas.

16. Opportunity title re-named in FY26 to improve clarity and precision of wording.
17. The pricing year is 1 April to 31 March, which aligns with the electricity industry's tariff-setting cycle rather than Transpower's corporate reporting cycle. This differs to Transpower's financial reporting year of 1 July to 30 June.
18. To secure the expected uplift, Transpower needs to secure the Commerce Commission's approval in FY27.

Summary	Impacts in FY26	Future Impacts	Management Actions
Technological advancements help Transpower to deliver a secure and reliable service			
As electrification increases more investment will be channelled into technology that helps Transpower perform its role better.	By the end of FY26 Transpower uses drones and machine learning as a preference for its transmission line conductor and tower inspection programme, displacing the use of helicopters and other inspection methods. Further use cases for this technology are actively being assessed to expand the range of applications. In relation to the operation of the power system Transpower is actively working to implement technology changes to enable smarter and faster decision making as needed in the control room of the future, given the increasing electrification, renewables and energy transition. **Current financial impact:** No material financial impacts in FY26.	**Timeframe:** Short-term through to medium-term. **Future impact commentary:** Technology investments to better inform asset condition monitoring, outage management systems, extending the use of situational information for decision making, usability of operational tools and improvements in operational data quality will be needed to enable Transpower to successfully manage the power system through a period of accelerated change. Investments will also enable the system operations service to adapt and enable increased electrification and consumer participation. Again, benefits will largely be delivered to wider industry and consumers. **Anticipated financial impact:** This opportunity could result in reduced operating and capital expenditure, and deferred capital spend. We are unable to quantify the anticipated financial impact given the integrated, multiple systems comprising the complex operating model utilised by Transpower to perform its roles as grid owner and system operator. **Related indicators (i.e., metrics without targets):** • None. **Related targets (i.e., metrics with targets):** • None.	Technology developments such as LiDAR are being utilised to reduce and manage vegetation wildfires that could impact, or be caused by, transmission lines to better inform protective vegetation control to avoid wildfires. The use of satellites and geospatial overlays to detect “hot spots” where an undetected wildfire in a remote location is at risk of interrupting electricity supply. Transpower’s digital substation initiative will enable new substations to be delivered more efficiently and at lower cost. This reduces the reliance on rare metals such as copper through the use of fibre optic cables and decreased the need for concrete in control room buildings. Transpower currently uses drones and machine learning to undertake elements of its inspection program, displacing the use of helicopters and other inspection methods. Further use cases for this technology is actively being assessed to expand the range of applications. Technology Developments, such as data and IT systems advancements (including AI) will assist the system operations service, with main benefits to wider industry and consumers arising by enabling increased competition through demand response and changes in flexibility services. Transpower is actively pursuing the use of Non-Transmission Solutions (NTS) as part of its Major Capital projects to support the deferral of grid investments where economic.

Case studies

Supporting customer connections with a flexible approach

As electrification accelerates, our customers need us to connect and commission new generation and load faster, with clearer pathways through technical requirements and commissioning. Two recent projects show how we adapted our approach to meet customer objectives – without compromising the technical assurance required to keep New Zealand's power system operating safely. We're focused on keeping momentum high as we support more customers to connect new generation and electrify industrial load.

Fonterra – Ohangai

At Whareroa in south Taranaki, Fonterra's plant required replacement, locking it in to using gas for decades to come unless a connection solution could be progressed quickly to provide bulk electricity. Helping one of New Zealand's critical exporters transition off gas has multiple downstream benefits and we prioritised it, agreeing and implementing a new equipment solution to meet the timeframe.

Developed in-house, our digital substation was trialled in a lab over the last few years as a proof of concept. Like any new asset type, we have had learnings along the way as we built, transported and deployed our first in the field at Ohangai. This equips us well to continue delivering fast, flexible connections using digital substations in the future.

Mercury Energy – Kaiwera Downs Stage 2

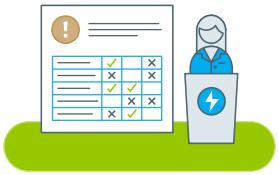
Kaiwera Downs also required a flexible approach to its connection and commissioning process, allowing this windfarm to connect 36 new turbines and increase installed capacity from the current 43MW to 198MW.

For this project, Mercury enlisted electrical contractor ElectroNet to design, procure and build the substation to our specifications – they have now passed the keys over to us so that we can do our job keeping it running smoothly. It's one of a number of examples of where we are adapting our ways of working with our customers to meet their requirements, especially in terms of the pace of delivering new grid connections.

SECTION 3

Risk Management

Climate-related risks have long been considered as part of Transpower's overall risk management, and it continues to evolve and mature its processes.



3.1 Identification and assessment

Transpower identifies and assesses climate-related risks continually through a range of tools and techniques as part of its regular risk management process. Annually, Transpower conducts a comprehensive climate risk assessment with a range of internal stakeholders across the business, including in Transpower's roles as both grid owner and system operator. This assessment considers whether the resulting risks and opportunities are material and require disclosure by incorporating both qualitative and quantitative factors.

Each year Transpower reviews the existing climate-related risks and opportunities and considers whether they remain material, as well as considering if there are any new or emerging risks or opportunities that are now material and require disclosure.

The climate risk assessments are facilitated in accordance with the approach set out by the IPCC. All identified risks are assessed in detail by relevant subject matter experts and business owners of the risk. Where feasible and practical, risk is quantified in dollar terms.

The timeframes used in identifying, assessing, and managing climate-related risks align to the time frames used in our scenario analysis. Individual quantifications of anticipated financial impacts of risks may utilise a different time frame, where required, due to data availability – in which event, we rely on the time period of such relevant, particular data.

Quantification of physical risks is undertaken using the HEVI methodology. Quantification of transition risk at present is challenging due to a lack of available data, or a significant degree of uncertainty surrounding the data. As an alternative, metrics that relate to transition risks and opportunities are identified.

As Transpower matures its understanding of climate-related risks and opportunities and acquires better information, the level of financial quantification provided will increase.

3.2 Prioritisation and management of climate-related risks and opportunities

Climate-related risks are viewed as external threats exacerbating existing risks. They are prioritised in the same manner as all other external threats and managed in a similar fashion to all other risks at Transpower.

Risks are assessed against the enterprise-wide, corporate risk management matrix which is derived from the Board's Risk Appetite Statement, and includes environmental, social responsibility and good governance as key exposure categories.

Transpower's Risk and Assurance function oversees an annual internal audit programme to provide assurance to management and the Board. The assurance function also includes undertaking self-assessments on critical controls for risk management.

Climate-related opportunities are prioritised in line with all other business opportunities as part of the strategy setting and review process.

3.3 Tools and techniques

Within its enterprise risk framework, Transpower uses bowtie risk analysis and semi-quantitative risk assessment, enabling a comprehensive understanding of the risks faced and control environment used to manage them. Some of these more granular level risk bowties and associated semi-quantitative risk assessments support Transpower's analysis and assessment of its climate-related risks and opportunities.

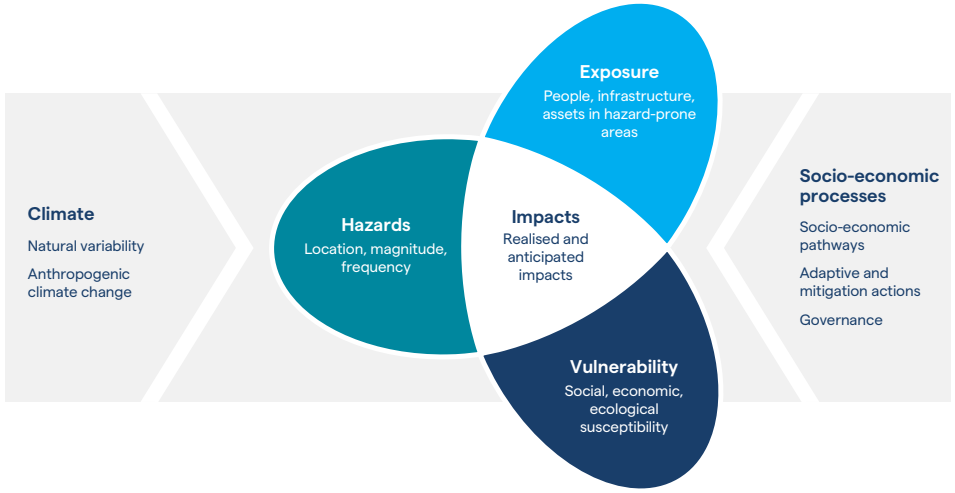
Physical climate-related risks are assessed additionally using the HEVI methodology, illustrated in Figure 7. Both approaches are consistent with the standard AS/NZS ISO 31000:2018 and are codified within the risk management framework.

Given the unique long-term nature of climate-related risks and opportunities, scenario analysis is applied to better understand Transpower's exposure to a range of possible futures.

Transition risks and opportunities are tested against Transpower's 1.5°C climate scenario as they are most prevalent where Aotearoa New Zealand electrifies rapidly in the short–medium term.

Climate-related physical hazards were identified, and a materiality assessment undertaken to identify the physical risks. They are assessed against the 3.5°C climate scenario (where possible) as this represents the upper end of physical risk spectrum, and against the long-term timeframe, consistent with the expected life of the assets.

Figure 7: The Hazard, Exposure, Vulnerability and Impact Process



Anthropogenic climate change in combination with natural variability poses **hazards** which in combination with **exposure** and **vulnerability** could cause risks to eventuate and/or pose future risks.

3.4 Frequency of assessment

Strategic and external risks are assessed on a quarterly basis by the relevant business owners before review by the ELT and presentation to the ARC. These assessments are at a Transpower-level but also include system operator-specific risks. A comprehensive re-evaluation using the HEVI methodology of all physical climate risks with all key stakeholders present is conducted on an annual basis.

Critical operational risks are re-assessed at a minimum of once every five years. However, a selection of the critical controls applied to these are self-assessed at least once every six months. Results are reported to the ELT and the ARC bi-annually.

Climate risk management also occurs as a part of Transpower's asset management approach, and general mode of operation. For example:

- risk assessments are conducted for these hazards as part of the asset management strategy;
- Transpower has ongoing management plans for proactive resilience investment into risk reduction and readiness;
- climate considerations are being embedded within design standards for asset classes, which are reviewed periodically; and
- Transpower undertakes ongoing assessments of the environmental and stakeholder risks associated with the development of new grid infrastructure on a project-by-project basis.

3.5 Integration with overall risk management with other risk management processes

Climate-related risk management sits within Transpower's enterprise risk management framework. It is well understood how the effects of climate change can exacerbate existing risks. For example, flooding of substations has always been a risk to Transpower, but climate change is expected to increase the likelihood and potential consequence of this risk.

Climate-related physical and transition risks are considered external risks, alongside non-climate-related physical risks such as seismic and volcanic risks, and other external risks such as a global economic crisis or geopolitical instability. Some climate-related risks are also strategic risks. External and strategic risks are assessed qualitatively by the relevant subject matter experts quarterly and are informed by quantitative and semi-quantitative methods.

Transpower's critical operational risks – both for our grid and system operations businesses – are also impacted by climate change. For example, one of Transpower's critical operational risks relates to major hazards at substations. This risk comprises both climate-related factors such as flooding, and non-climate-related factors such as seismic risk or sabotage threat. The additional annual HEVI and scenario analysis process applied to the climate-related aspects provides a richer understanding of how climate change is altering the profile of these risks.

Figure 8 depicts the different categories of risk under active management. The ELT and ARC receive quarterly reporting on all Transpower's identified strategic, external, and critical operational risks, including those from our system operations risk framework. This incorporates many of the physical and transitional climate-related risks (often integrated with the relevant broader operational risk) with respect to risk movements and operational management focused on a 30-year horizon. This means some of the climate-related risks in this Climate Statement (which looks out to 2100) are not currently addressed in the enterprise risk report. At least annually, the ARC and the Board receive, and consider, reporting on all of Transpower's climate-related risks and opportunities.

Figure 8: Risk Management Framework

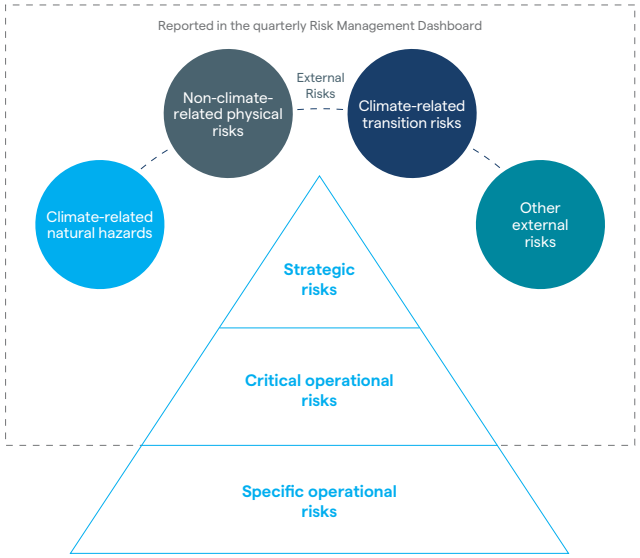
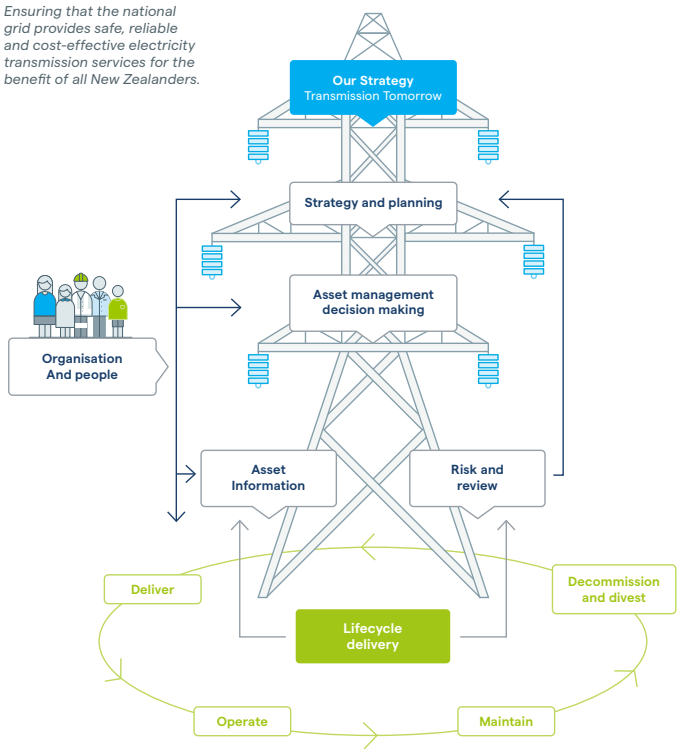


Figure 9: Transpower's Grid Asset Management System



3.6 Integration of impacts into the asset management framework

Transpower's Asset Management Plan sets out the framework for how asset-related risks are evaluated, prioritised and addressed. This informs the basis of both the five-yearly regulatory submission for replacement and refurbishment, as well as the decision framework on prioritisation of asset risk mitigations. The strategic approach to asset management has matured considerably over the last seven years and has been independently verified.

Asset risk consequences from climate change are included in the framework as these risks are assessed and better understood. For instance, the understanding of substation flooding impacts or risk to towers near braided rivers has led to specific programmes being developed based on risk as well as a wider network criticality view of the impacted assets.

Transpower has a resilience strategy, and a resilience portfolio management plan. Funding of mitigations is prioritised accordingly within the overall framework. Mitigations can include both risk reduction or elimination through upgrading or building new assets, or having a tolerance of the risk, particularly where response and recovery relies on the use of spare equipment that can be quickly deployed and operational measures to work around any impacted assets.

SECTION 4

Metrics and Targets

Transpower is a key enabler of Aotearoa New Zealand's electrification. It monitors a range of metrics to inform its understanding of potential energy futures and where action is needed.

The following contains a summary of the metrics and targets that Transpower monitors, aligning to the required categories set out in NZ CS 1. Each metric is elaborated on in this Section including performance against set targets, and trend analysis if applicable.

Section 4.1 sets out Transpower's greenhouse gas (GHG) metrics and targets. Given Transpower's role in enabling Aotearoa New Zealand's transition to a net zero carbon economy Transpower is transparent and vigilant in the way that it monitors, reports and reduces its carbon footprint.

Section 4.2 sets out estimates of vulnerability to physical, transition risks and opportunities, expressed as an amount or percentage of business activities, as required by the Aotearoa New Zealand Climate Standards. These metrics were developed based on capital deployment forecasts. Transpower has also identified commensurate targets where appropriate. Transpower has also identified additional related metrics and targets that inform the management of climate-related risks and opportunities.

Additional indicators that Transpower does not set targets for are provided in Section 4.3.

Transpower does not use interim targets for any of its metrics.

Table 4: Metrics and targets

FY26 Metric	Target	Timeframe	FY26	FY25	FY24	Base year	Description of Performance Against Targets / Trend Analysis	NZ CS 1 Metric and Target Categories								
								Physical Risks	Transition Risks	Opportunities	Capital Deployment	Impacts Remuneration	GHG Scope 1	GHG Scope 2	GHG Scope 3	Industry Based Metric
4.1: Greenhouse Gases																
Scope 1 Emissions (tCO_2e)[19]	No target.	N/A	4,197	3,847	3,548[20]	N/A	In FY26 Transpower's Scope 1 GHG emissions increased 9% from FY25. This is largely due to a 10% increase in SF_6 emissions.									
Scope 2 Emissions (location-based)[21] – electricity use (tCO_2e)	No target.	N/A	203	383	352	N/A	Transpower's emissions from electricity usage in its buildings and retailer-metered substations decreased by 47% in FY26. Although electricity consumption increased slightly during the year, a higher proportion of renewable generation reduced the emissions intensity of grid electricity, resulting in lower Scope 2 emissions.									
Scope 1 and 2 Emissions - excluding transmission losses (tCO_2e)	Absolute short-term target: 44% reduction by FY30 (excluding transmission loss emissions).	FY21 – FY30	4,400	4,230	3,900	FY21	Transpower excludes transmission loss emissions in its short-term Scope 1 and 2 target as these emissions are largely driven by factors outside its control, including the electricity generation mix and hydrological conditions influencing the level of thermal generation in a given year. In FY26 Scope 1 and 2 emissions (excluding transmission losses) decreased 29% compared to the FY21 baseline (6,154 tCO_2e). An achievement of 66% towards the FY30 target. When performance is taken as a trajectory from FY24, it is not consistent with Transpower tracking to meet this target.									
Scope 2 Emissions – transmission losses (tCO_2e)	No target.	N/A	76,631	153,775	135,928	196,544	See "Scope 1 and 2 Emissions - including transmission losses" metric for commentary.									
Scope 2 Emissions (tCO_2e)	No target.	N/A	76,834	154,157	136,280	N/A	See "Scope 1 and 2 Emissions - including transmission losses" metric for commentary.									
Scope 1 and 2 Emissions - including transmission losses (tCO_2e)	Absolute long-term target: Net-zero Scope 1 and 2 GHG emissions (including transmission loss emissions) by FY40, with an absolute target of a 90% reduction.	FY21 – FY40	81,031	158,005	139,828	FY21	Target includes transmission losses, reflecting Transpower's role in enabling Aotearoa New Zealand's electrification. As renewable generation increases, the emissions intensity of electricity transmitted across the national grid decreases, reducing emissions associated with transmission losses. In FY26 a higher proportion of electricity generated from renewable sources, alongside significantly lower coal and gas generation, resulted in lower transmission loss emissions. FY26 emissions were 60% below the FY21 baseline (202,698 tCO_2e), representing 67% progress to the stated reduction target. Current performance is consistent with achieving this target.									

19. tCO_2e: tonnes of carbon dioxide equivalent.
20. These numbers reflect a changed methodology post-Climate Statement FY24
21. All Scope 2 emissions disclosed in this table are reported on a location-based basis.

FY26 Metric	Target	Timeframe	FY26	FY25	FY24	Base year	Description of Performance Against Targets / Trend Analysis	NZ CS 1 Metric and Target Categories								
								Physical Risks	Transition Risks	Opportunities	Capital Deployment	Impacts Remuneration	GHG Scope 1	GHG Scope 2	GHG Scope 3	Industry Based Metric
Scope 3 Emissions (tCO_2e)	Absolute short-term target: Less than 64% increase of FY21 baseline by FY30.	FY21 – FY30	66,872	66,351	53,009	FY21	Target reflects Transpower's growing carbon footprint, including from its electrification work programme. Transpower's Scope 3 GHG emissions increased 77% compared to its FY21 baseline (37,837 tCO_2e). As a result, current performance is behind the level required to achieve this target.								■	
	Absolute long-term target: Net-zero Scope 3 emissions by FY50, with an absolute target of a 90% reduction of Scope 3 emissions by FY50.	FY21 – FY50					Transpower's Scope 3 GHG emissions increased 77% compared to its FY21 baseline (37,837 tCO_2e). Current performance is behind the level required to meet this target. While emissions remain above the FY21 baseline, achieving this target will require a sustained reduction in Scope 3 emissions over the long term.								■	
Total Gross Emissions (tCO_2e)	Absolute short-term target: 15% reduction of total gross emissions by FY30.	FY21 – FY30	147,903	224,356	192,838	FY21	Transpower's overall emissions are expected to fall as emissions from transmission losses decrease, driven by reduced reliance on thermal generation and/or the retirement of thermal generation assets. Transpower's absolute overall Scope 1, 2 and 3 emissions target (including transmission loss emissions) reflects this anticipated change. Transpower's overall gross GHG emissions decreased 39% compared to its FY21 baseline (240,536 tCO_2e). Current performance exceeds the reduction required to achieve this target.						■	■	■	
4.2: Other Metrics and Targets																
Amount or percentage of business activities vulnerable to physical risks	No targets have been set for these metrics. Refer to table 1: Physical risks for vulnerability assessments on a hazard-by-hazard basis.							■			■					
Amount or percentage of business activities vulnerable to transition risks	No target. Calculated as major enhancement and development customer capital expenditure as a percentage of total capital expenditure.	N/A	34%	30%	25%[22]	N/A	The percentage of business activities aligned to climate-related opportunities has increased in FY26 and will continue to increase as additional MCPs increasing the capacity of the national grid are approved by the Commerce Commission and move into delivery phase. Over RCP3 (FY21 - FY25) the average equivalent spend was 28%, with current modelling suggesting this would increase to an average of 49% over RCP4.		■		■					
Amount or percentage of business activities aligned to climate-related opportunities										■	■					

22. Please note that these numbers reflect a change in methodology post-Climate Statement FY24.

FY26 Metric	Target	Timeframe	FY26	FY25	FY24	Base year	Description of Performance Against Targets / Trend Analysis	NZ CS 1 Metric and Target Categories								
								Physical Risks	Transition Risks	Opportunities	Capital Deployment	Impacts Remuneration	GHG Scope 1	GHG Scope 2	GHG Scope 3	Industry Based Metric
Base capital expenditure[23] ($m nominal)	$2,366m cumulative spend (nominal).	FY26 – FY30 (RCP4)	451	435	383[24]	N/A	The Commerce Commission approved ~98% of proposed spend for the RCP4 (FY26 - FY30) period. Forecasting to deliver work programme to maintain asset health and remain within regulated allowance.									
Major capital expenditure[25] ($m nominal)	No target.	N/A	98	75	37[24]	N/A	In FY26 the Commerce Commission approved Redclyffe substation rebuild $47m and the HVDC upgrade Stage 1 for $1.1b.									
Interisland HVDC transfer capacity	Increase transfer capacity north from 1070 MW to 1200 MW.	FY24 – FY29	1070 MW	1070 MW	1070 MW	FY24	Part of NZGP1.1, this MCP was approved by the Commerce Commission in FY24 and the work to deliver the new Haywards STATCOM is currently on track to deliver the targeted increased transfer capacity within the targeted timeframe.									
Central North Island (CNI) 220 kV capacity	Increase transfer capacity north from Bunnythorpe by 60 – 90%.	FY24 – FY29	0%	0%	0%	FY24	Part of NZGP1.1, this MCP was approved by the Commerce Commission in FY24 and the work to enhance the transmission infrastructure to deliver the increased transfer capacity within the targeted timeframe is in delivery and on track.									
Wairakei ring capacity transmission[26]	Increase capacity by 25% (300 MW) under typical operating conditions.	FY24 – FY29	0%	0%	0%	FY24	Part of NZGP1.1, this MCP was approved by the Commerce Commission in FY24. The physical transmission line capacity has been upgraded, but the increased capacity is not available to the market until substation equipment is upgraded in FY27. The substation works to deliver the increased transfer capacity within the targeted timeframe are in delivery and on track.									
GP1: Achieve collars for occurrence – unplanned interruptions	≥ 4 out of 6.	Annually	5	6	6	N/A	Target achieved consistently.									
GP2: Achieve collars for occurrence – unplanned interruptions average duration	≥ 4 out of 6.	Annually	5	6	5	N/A	Commerce Commission approved ~98% of Transpower's RCP4 proposal, contingent on Transpower achieving resourcing levels to deliver the increasing work programme required to enable the electrification of New Zealand's economy. Transpower forecasts adding approximately 16% to its headcount over the FY25-FY30 period against its FY24 baseline headcount. Transpower has delivered the FY26 and FY 25 resourcing uplift targets.									

23. Base capital expenditure and major capital expenditure are assumed to address one or more climate-related risks and opportunities. Expenditure is not allocated to specific risks or opportunities as investments often support multiple objectives simultaneously.
24. Please note that these numbers reflect a change in methodology post-Climate Statement FY24.
25. Excluding funding approved for any investment in non-transmission solutions associated with this MCP investment need.
26. The reported progress against this target for FY24 and FY25 differs to that reported in prior years. Current reporting is based on the available transmission capacity; prior year reporting was based on physical transmission capacity upgrades which are not yet available to the power system due to the need for necessary subsequent enabling works to first be delivered.

FY26 Metric	Target	Timeframe	FY26	FY25	FY24	Base year	Description of Performance Against Targets / Trend Analysis	NZ CS 1 Metric and Target Categories								
								Physical Risks	Transition Risks	Opportunities	Capital Deployment	Impacts Remuneration	GHG Scope 1	GHG Scope 2	GHG Scope 3	Industry Based Metric
Hiring targets	1050 headcount (FTEs).	Annually*	1052	1050	936	N/A	Commerce Commission approved ~98% of Transpower's RCP4 proposal, contingent on Transpower achieving resourcing levels to deliver the increasing work programme required to enable the electrification of New Zealand's economy. Transpower forecasts adding approximately 16% to its headcount over the 2025-2030 period against its FY24 baseline headcount. Transpower has delivered the FY26 and FY25 resourcing uplift targets.									
4.3 Other Key Performance Indicators																
Unplanned interruptions count - Excludes normalised events	No targets set for these metrics. Refer to the formal GP1 and GP2 targets above. Refer Section 4.2.4 for more information.		51[27]	53	39	N/A	Long-term performance improvements are evident, indicative of continued growth in asset management maturity.									
Unplanned interruptions – average duration (minutes) – Excludes normalised events			79[27]	84.9	105.8[28]	N/A										
Unplanned interruptions event count – normalised events			1[29]	1	0	N/A	Long-term performance improvements are evident, indicative of continued growth in asset management maturity.									
Unplanned interruptions average duration (minutes) – normalised events			1544[30]	1760	0	N/A										
Energy unserved	No targets set for this metric. Refer Section 4.3.1 for more information on trends.															
Annual electricity demand	No targets set for this metric.		41626 GWh	40864 GWh	42096 GWh	N/A	Refer Section 4.3.2 for commentary.									
Twenty highest daily peaks (demand) each year	No targets set for this metric. Refer Section 4.3.2 for more information on trends.															
Generation customer enquiries	No targets set for this metric.		61[31]	59	53	N/A	Refer Section 4.3.2 for commentary.									
Demand customer enquiries	No targets set for this metric.		44[31]	10	20	N/A	Refer Section 4.3.2 for commentary.									

27. Interim results reported. This number excludes three unplanned interruptions (the subject of a normalised event application to the Commision associated with Cyclone Vaianu); it reflects the result expected if the Commision approves that application.
28. Number differs from Climate Statement FY24 due to updated information received post publication.
29. Interim results reported. This number arises from the Cyclone Vaianu event, which is the subject of a normalised event application to the Commision; it reflects the result expected if the Commision approves that application.
30. Interim results reported. This number arises from three unplanned interuptions, which are the subject of a normalised event application to the Commision associated with Cyclone Vaianu; it reflects the result expected if the Commision approves that application.
31. Please note this number reflects a refinement in methodology post Climate Statement FY25. Customer enquiries continue to trend upwards, but this number cannot be directly compared to the FY25 and FY24 numbers.

4.1 Greenhouse gases

4.1.1 Overview

As outlined in the most recent IPCC report (4 April 2022), pathways consistent with the objectives of the Paris Agreement to limit global warming to 1.5˚C above pre-industrial levels, and Aotearoa New Zealand's commitment to achieve net-zero emissions of all greenhouse gases other than biogenic methane by 2050, would require almost all electricity to be generated from zero- or low-carbon sources and increased electrification of end-use activities.

Transpower's Whakamana i te Mauri Hiko modelling in 2020 predicted electricity demand would grow from 42 TWh (terawatt hours) to 70 TWh by 2050, primarily from electrifying transport and process heat. Future electricity demand may be significantly higher if data centres and currently hard-to-electrify sectors such as aviation are included.

As the owner and operator of the national grid, Transpower has a key role to play serving Aotearoa New Zealand in enabling its electrification. Enabling increasing electrification and the move towards an increasingly renewable electricity system are the biggest contributions Transpower can make to reducing Aotearoa New Zealand's and Transpower's own emissions.

FY26 Total GHG Emissions

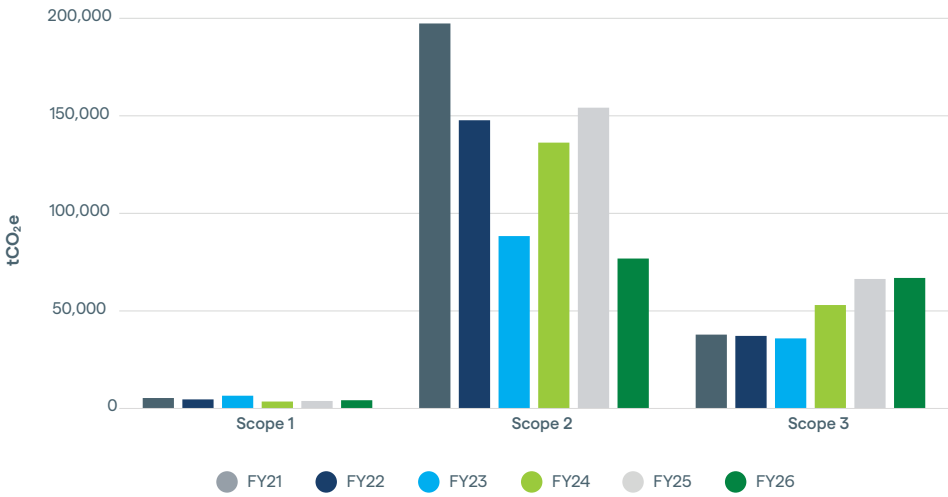
Transpower's total emissions for the financial year ending 30 June 2026 were calculated at 147,903 tCO_2e, a decrease of 76,453 tCO_2e (or 34%) from FY25. Figure 10 shows Transpower's total GHG emissions by GHG Protocol Scopes from FY21 to FY26.

The decrease in Transpower's total GHG emissions between FY25 and FY26 was primarily due to a 50% reduction in transmission loss emissions. While total electricity generation was broadly consistent with FY25, FY26 saw a greater proportion of electricity generated from renewable sources, alongside significantly lower coal and gas generation. This reduced the emissions intensity of electricity transmitted across the national grid and, consequently, the emissions associated with transmission losses. As the owner and operator of the national grid, Transpower plays a key role in enabling the connection and integration of new renewable generation, helping support the ongoing transition to a lower-emissions electricity system.

A more detailed analysis of annual GHG emissions trends by scope is provided in Section 5 of Transpower's FY26 GHG Inventory Report. Section 4 and Appendices 1 and 2 of the GHG Inventory Report provide information on the methods, assumptions, exclusions, emissions factors, global warming potentials, uncertainties, limitations and standards used to measure, calculate and/or estimate Transpower's GHG emissions.

Transpower's emissions are presented through its annual GHG emissions inventory report, which provides the basis for the emissions trends reported in this Climate Statement. The GHG Inventory Report is measured in accordance with Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (World Resources Institute, 2004), the Greenhouse Gas Protocol Scope 2 Guidance (World Resources Institute, 2015), the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting Standard (World Resources Institute, 2011), and ISO 14064-1:2018 Greenhouse Gases – Part 1. Consistent with these standards, Transpower applies the operational control consolidation approach when defining the organisational boundary for its GHG emissions inventory.

Figure 10: Total GHG Emissions by Scope



Transpower's emissions targets, as stated in Table 4 above, reflect both the emissions it directly manages, and the wider system changes required to support Aotearoa New Zealand's transition to a low carbon economy. All targets are absolute targets. Transpower does not intend to rely on any carbon offsets in relation to its short-term targets. The Board will decide whether Transpower may rely on any carbon offsets in relation to its long-term targets closer to FY40 and FY50, respectively. Some targets are intended to achieve direct emissions reductions, while others recognise the emissions associated with expanding the national grid to support economy-wide decarbonisation. Collectively, the targets reflect how Transpower seeks to balance reducing emissions where practicable, contributing to efforts to limit global warming to 1.5˚C.

4.1.2 Emissions intensity

Transpower bears transmission loss emissions on behalf of the Aotearoa New Zealand electricity sector. Because these emissions are largely driven by electricity demand and the generation mix, Transpower does not have direct control over the emissions intensity of electricity transmitted across the national grid. Transpower presents the emissions intensity of transmission losses as an emissions efficiency metric for the sector. Transmission loss emissions intensity was 2.01 $kgCO_2e$ per MWh of electricity supplied from the transmission grid at Grid Exit Points (GXPs) to electricity distribution businesses (EDBs) and directly-connected commercial customers in FY26 (FY25: 4.15 kgCO2e per MWh, FY24: 3.54 $kgCO_2e$ per MWh). The metric is calculated by dividing reported transmission loss emissions by total electricity supplied through GXPs to EDBs and directly connected customers.

As required under Transpower's Green Financing Framework Transpower publicly reports on new generation capacity added to the system over a rolling five-year period, along with a calculation of percentage of the capacity of new generation below the generation threshold of 100g CO_2e/kWh (measured on a Product Carbon Footprint basis) to total new generation capacity. Transpower measures the associated eligibility threshold for Eligible Green Assets at least annually using both external and Aotearoa New Zealand Government published statistics and internal data.

Transpower also publicly reports the impact of financing of Eligible Green Assets supporting increasing low emissions renewable generation and electrification, including 'Avoided CO_2 Emissions (tCO_2e/GWh)'. Avoided CO_2e emissions are estimated based upon the emissions factor of connected thermal generation plant offset by new renewable generation below the 100g CO_2e/kWh.

4.1.3 Internal emissions price

Transpower does not currently have an organisation-wide internal emissions price metric or target, consistent with the prior two reporting periods. Carbon pricing is used at times in various analyses across the business to support informed decision-making.

Lifecycle costing frameworks for investment decision-making are formalised through Transpower's Asset Planning Decision Framework. For some specific investments, this Asset Planning Decision Framework includes consideration of the price of emissions, for example, SF_6-containing switchgear apply emissions pricing to assist with Marginal Abatement Cost analysis of various investment options.

Transpower intends to pilot an internal emissions price on a test-basis as a decision-support tool to encourage further consideration of emissions impacts. The outcomes of this pilot will inform whether and how an internal emissions price is applied more broadly across the business in future years.

4.2 Other Metrics and Targets

Transpower tracks a broad range of metrics to track its performance, many of which can be found in the Statement of Corporate Intent and the Integrated Report. A selection of metrics that are particularly relevant to the management of climate-related risks and opportunities have been identified below.

4.2.1 Percentage of activities vulnerable to physical risks

Transpower followed the HEVI process to assess exposure and vulnerability of its assets to a range of physical hazards. The results of this are found in the table of physical risks in the Strategy Section from Section 2.4.

4.2.2 Percentage of activities vulnerable to transition risks & aligned to opportunities

The percentage of activities vulnerable to climate-related transition risks and opportunities has been assessed as the percentage of major and customer capital expenditure as a proportion of overall capital expenditure ([Major capital expenditure + Enhancement and Development + Customer capital expenditure] / Total capital expenditure).

Transpower's transition risks and opportunities relate primarily to its ability to build the infrastructure required to enable electrification, enhancing the grid service levels by adding additional capacity for customers and consumers. Major and customer capital are the main funding streams that achieve this end. This figure captures the relative composition of capital deployed towards enhancing grid service levels, compared to maintaining current service levels.

Over FY20 to FY25, this percentage was 28%. In RCP4 it is forecast to rise to 49%. The increase reflects the additional transition risk Transpower anticipates responding to as it builds the grid required to enable electrification. Conversely this percentage is also used to reflect the increasing level of activities in alignment with climate-related opportunities, as Transpower's opportunities are commensurate to its transition risk.

Transpower does not set targets for this percentage because major capital expenditure is subject to considerable uncertainties. Furthermore, an expenditure-based target disincentivises achieving the same outcome at lower cost. Alternatively, Transpower has defined targets based on investment outcomes for approved MCPs measured as capacity increases in megawatts (MW).

It is worth noting that while the relative amount of major capital expenditure is increasing compared to the base amount required to maintain current asset performance, base capital expenditure is still rising in absolute terms.

4.2.3 Capital deployment

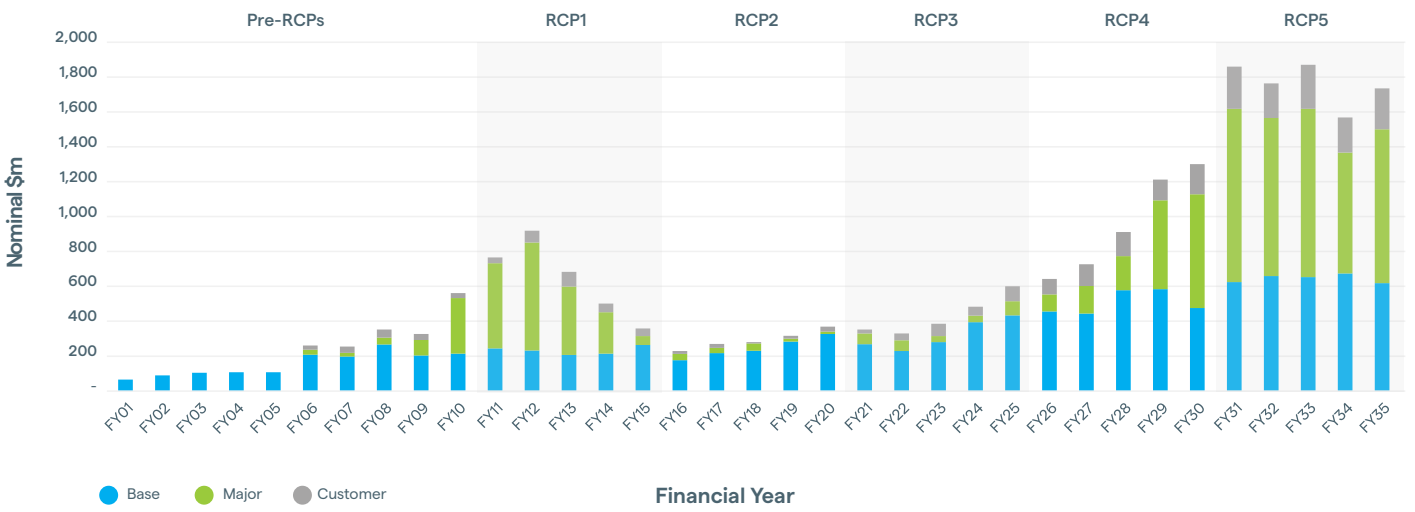
Considerable capital investment is required to deliver the transmission infrastructure needed both to maintain current reliability and enable growth in electrification. The chart below depicts nominal historical and forecast capital expenditure. It shows the higher spend during the early 2010s as we delivered a few major projects, and the sustained increase in spending forecast to occur from FY27 onwards (particularly on major projects).

Base capital expenditure includes capital investments in grid replacement and renewal, information technology, business support, resilience and small enhancement and development projects. It is spending to enable Transpower to continue to provide the reliable and resilient service levels that its customers expect.

Many of Transpower's assets were installed between the 1950s and 1970s. These assets are aging and require replacement or refurbishment within the next 10-15 years. While Transpower relies on condition assessments to determine when to replace most assets, instead of relying solely on age, there is a strong correlation between age and condition.

Stakeholder expectations of a resilient electricity system are increasing, and there is growing reliance on electricity as it grows as a percentage of our energy mix. Simultaneously, climate change is exacerbating the effects of many natural hazards. There is a need for proactive resilience measures to harden vulnerable and critical assets.

Figure 11: Historical and Forecasted Capital Deployment



Base capital expenditure also includes enhancement and development projects that increase the capacity, security, and operability in response to changes in demand and/or generation mix. This is a good indicator of transition risk, alongside major capital expenditure.

Base capital expenditure includes resilience spend, which helps measure how much investment is put towards proactive resilience for physical risks.

Major capital expenditure projects are large projects on interconnection assets to enhance the capability and/or capacity of the network. The Commerce Commission undertakes project-by-project assessments – recently approving two of Transpower's proposals totalling $1.1b for investments in the HVDC link and $47m to complete the rebuilding of the Redclyffe substation the Hawke's Bay.[32] These investments will add increased resilience for the supply of electricity to New Zealand, and the Hawke's Bay, respectively.

As at 30 June 2026 the Commerce Commission is currently considering an MCP to invest $193m in the Upper South Island to enable additional capacity. In addition, Transpower is finalising the application for an additional MCP to the Commerce Commission. It is for an upgrade as part of our Waikato and Upper North Island phase 2 (WUNI2) initiative, which will increase capacity into Auckland, and install power electronics equipment for voltage support in the region.

Transpower is actively investigating a number of other MCPs, three of which it intends to submit to the Commerce Commission within the next financial year. These are the:

32. All investment amounts specified for MCPs exclude any funding sought and/or approved for any investment in non-transmission solutions associated with this MCP investment need.

- second stage of the HVDC Upgrade works, which follows the approvals to replace the cables and seeks to replace the Cook Strait HVDC land-side control systems infrastructure, resulting in increased HVDC transfer capacity north and lifting current constraints on renewable South Island generation travelling north;
- Tararua Regional MCP, which investigates the benefits of increasing capacity of the 110kV transmission network through the Wairarapa – driven by a number of proposed solar and wind farms in the region; and
- Waikato Interconnection works, which will increase capacity on parts of the Waikato 110kV network through installation of new substation equipment.

If approved, the four projects would comprise an expected total of $700m. Transpower will be submitting more investment proposals to the Commerce Commission for outcomes currently priced consistent with the chart in Figure 11 on previous page.

Such forecasts are continually being updated as new information comes to light, and it is likely that the forward view will change as Transpower endeavours to deliver value for money to its customers and to consumers.

Customer works agreements are customer-funded projects where investments are covered by a customer investment contract between Transpower and the customer (primarily covering connection assets). As such, these investments are not included in Transpower's regulatory submission. The decision on whether to investigate and invest resides with the customer. Transpower does not set targets for customer expenditure but does provide forecasts based on available information.

4.2.4 Grid Performance 1 and 2 (Industry-based metrics)

Grid performance measures – Grid Performance 1 and 2 (GP1 and GP2) – are used by Transpower and monitored by the Commerce Commission[33] to assess grid reliability and is related to Transpower's ability to provide an uninterrupted transmission service. These measures enable electrification by enhancing confidence in the system:

- GP1 is the number of unplanned interruptions greater than one minute across all six supply and generation point of service sub-categories during a disclosure year.
- GP2 is the average duration of unplanned interruptions greater than one minute, across six supply and generation point of service sub-categories during a disclosure year.

Our grid performance metrics capture all causes of service interruptions, including non-climate-related events such as equipment malfunction or human error.

For both GP1 and GP2, there are six points of service categories. Transpower is financially incentivised to outperform the targets for the points of service, and we are financially penalised if our performance is below the targets. Collars' values are the level of performance that results in Transpower receiving the maximum financial penalty for the performance measure in question. Caps' values are the level of performance where we can earn the maximum financial reward. At a minimum, to avoid breaching of our quality standard,[34] Transpower must achieve beyond the collar amount for at least four of the points of service.[35] More detail about these can be found in the Service Measures Report 2025.

The GP1 and GP2 metrics include both non-climate-related events (such as equipment failure and human error) and environmental events, including climate-related events. Climate-related events have been the major cause of interruptions in recent years, due to the reduction of equipment and human-related events. Under the Price-Quality regulation, large events (whether climate-related or otherwise) can be normalised from the results through a submission process. These large events must be beyond Transpower's control and to have caused an interruption that lasts 24 hours or more.

The GP1 and GP2 metrics are still good indicators to climate-related events on the grid as they capture more frequent events. In FY26 there was one normalisation event that is yet to be submitted for formal approval, and the GP1 and GP2 targets have been met regardless. Overall, the number of interruptions (GP1) is now in the lowest 10-year rolling average since FY09, although this year did see the fourth highest number of climate-related interruptions in 28 years due to wind and lightning. Transpower has proactive investment to improve resilience in these areas.

33. Transpower is subject to associated rewards or penalties for meeting or failing to meet GP1 and GP2.
34. Breaching the quality standard triggers a Commerce Commission investigation.
35. The test for breaching the quality standard is also assessed over at least two years.

4.2.5 Executive remuneration

The Chief Executive can earn an incentive payment of up to 50% (FY25 and FY24: 40%) of salary, subject to company and individual performance targets being met and at the discretion of the Board. Any change to Chief Executive's salary is subject to approval by the Board following a review by the People & Performance Committee.

Members of the ELT can earn incentive payments, subject to company and individual performance targets being met. Such payments are at the absolute discretion of the Board. The Board may approve up to 120% of the company performance component of the incentive where the company meets or exceeds 100% of plan EBITDAIF (earnings before interest, depreciation, amortisation, asset write-offs, impairment, and changes in fair value of financial instruments) and the Board considers the Company's performance merits recognition. Executive team salaries are informed by performance achievement as assessed by the Chief Executive against objectives (consistent with the metric used for FY25 and FY24). Incentives can be 30-35% (FY25 and FY24: 20-25%) of their salary depending on job size.

There are seven measures that form the Company-related executive at-risk component for their remuneration. Following are the related at-risk metrics that are included in the Climate Statement:

- achieving GP1 and GP2 are the two measures comprising the customer category of the Company-related component, which together were weighted to 30% in FY26 (FY25: 20%, FY24: 15%);
- delivery of the base capital expenditure plan (95 - 105% spend basis) is one of two measures within the financial category of the Company-related components, which is weighted 10% (FY25: 10%, FY24: 20%); and
- progression toward Transpower's FY30 Scope 1 and 2 GHG emissions target (excluding transmission loss emissions) is a new measure within the sustainability category of the Company-related component, which is weighted at 10%. Performance is assessed against the emissions level consistent with the trajectory required to achieve the FY30 target (<4,671 tCO_2e for FY26).

For further background information refer to the Integrated Report Section entitled CE Remuneration. All executive-level remuneration is reviewed annually. The Chief Executive makes remuneration recommendations to the People & Performance Committee for review and approval by the Board.

4.3 Other key performance indicators

4.3.1 Resilience History

Figure 12 depicts the relative size of natural hazards and significant common mode failure events that led to a loss of service. The bubbles indicate the amount of energy unserved, which is a measure of the energy demand that could not be met due to the event. Where there was no loss of service the cost of the impact is shown. The bubble size is made relative using a value of lost load (VOLL) of $25,000 per MWh.

Not all of them are climate-related, and it is difficult to ascertain the extent to which climate change exacerbated the weather-related events shown. However, climate change attribution studies are becoming increasingly common, such as analysis undertaken for Cyclone Gabrielle. The maturity and availability of these studies is expected to continue to grow for future events. Transpower does not set targets for this specific metric, but it informs understanding of the impact of various events over time.

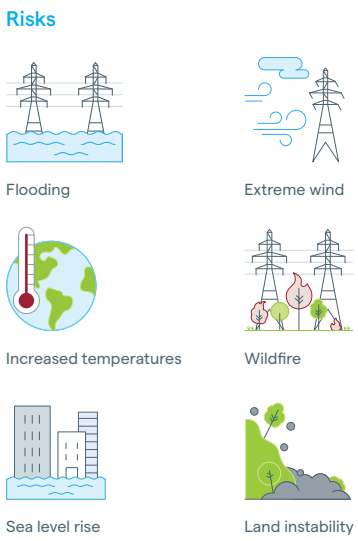
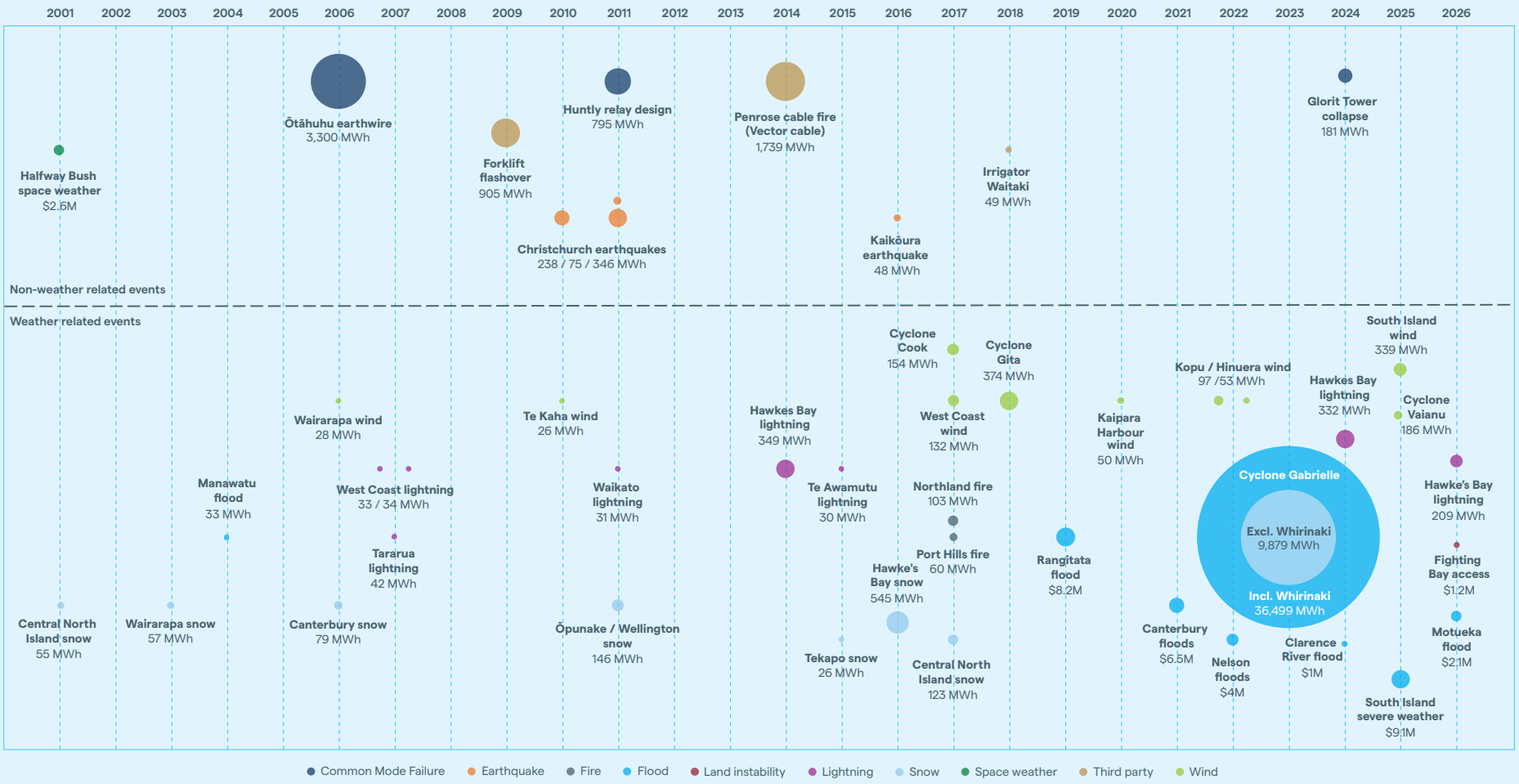


Figure 12: Resilience History of Natural Hazards and Significant Common Mode Failure (excluding other events)



The bubbles indicate the amount of energy unserved, which is a measure of the energy demand that could not be met due to the event. Where there was no loss of service the cost of the impact is shown. The bubble size is made relative using a VOLL of $25,000 per MWh.

4.3.2 Demand metrics

Transpower monitors developments across key drivers of change and how they are consistent with, or vary from, the expected course of its demand scenarios. Over the past four years, Transpower tracked this with its Whakamana i Te Mauri Hiko monitoring reports. Transpower now tracks key indicators of the transition through the Energy Transition Framework's dashboard (found on the Powering Change[36] website), for which Transpower provides the underlying analysis.

Transpower tracks metrics in these reports that inform the management of its climate-related transition risks and opportunities. Some are outlined below and mapped to the transition risks and opportunities they relate to.

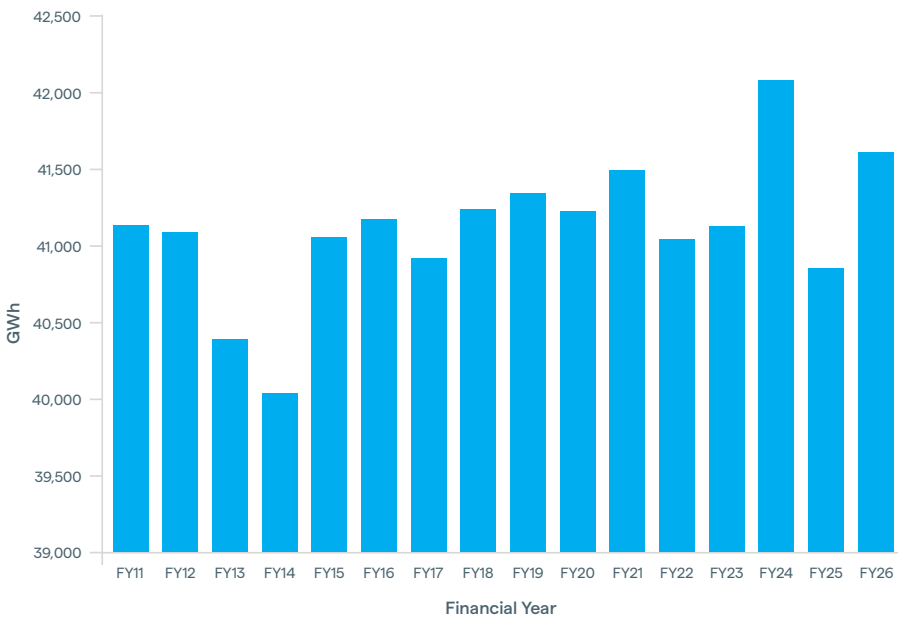
Transpower cannot assign targets to these metrics. These are not within its scope of control and reflect trends that it must anticipate and respond to but cannot directly influence. They do not reflect how well Transpower is managing its risks and opportunities, rather they give context to the risk position and the environment they are managed in.

As system operator, Transpower publishes weekly reports[37] that provide up-to-date information on the electricity market, including security of supply, wholesale price trends and system capacity. Many of the metrics tracked here are important to how Transpower manages climate-related risks and opportunities.

Annual electricity demand

Electricity demand is met from grid connected (such as grid connected hydro-electricity) and embedded generation (such as rooftop solar). Transpower's Accelerated Electrification Whakamana i te Mauri Hiko scenario estimates a 68% increase in electricity demand by 2050, primarily through the electrification of transport and process heat.

Figure 13: Annual electricity demand



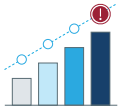
As shown in Figure 13, electricity demand has remained relatively stable in recent years (note the y-axis scale). Following the reduction observed in FY25, annual electricity demand increased in FY26, returning to levels more consistent with recent historical trends. Demand in FY25 was suppressed by high prices resulting from low hydro storage levels and constrained gas supply, including around 750 GWh of demand response from the Tiwai aluminium smelter.

Indicators suggest that an increase in annual demand is imminent due to the increased electrification of process heat and the transport sector. Electricity distribution businesses are also reporting varying rates of growth, including some quite substantial increases.

Risks

Not having the right grid at the right time

Insufficient energy (dry year)



Peak demand

Opportunities

Increase in demand for grid infrastructure

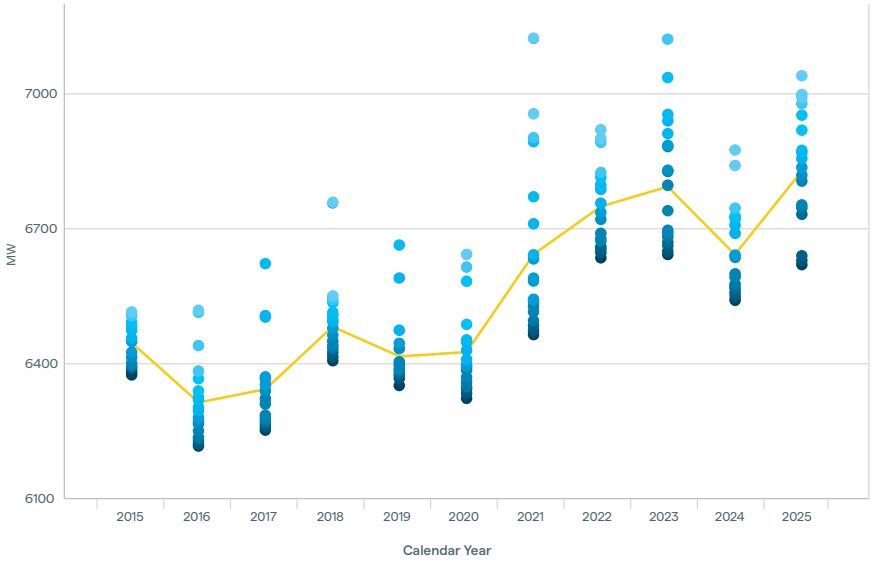
36. poweringchange.nz/measures-and-metrics/
37. transpower.co.nz/system-operator/notices-and-reporting/market-operations-weekly-report

Twenty highest daily peaks each year

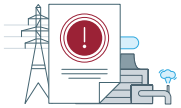
There has been an increasing trend in peak demand, with several of the highest peaks on record occurring since 2021. While peak demand decreased in 2024, reflecting high electricity spot prices and a relatively mild winter, the twenty highest daily peaks increased again in 2025 and were comparable with the elevated levels observed in 2022 and 2023. High electricity spot prices in winter 2024 resulted in reduced industrial demand, including an average reduction in Tiwai smelter demand by 130 MW in August. Winter 2024 was also relatively mild, resulting in lower heating demand and fewer very high load peaks. The upward trend can be attributed to the growing electrification of transport, process heat and space heating. It is also attributed to the removal of regional coincident peak demand (RCPD)[38] charges, with analysis published by the Electricity Authority confirming that this is associated with a 157 MW increase in average peaks, or 2.2% of national demand.

Demand is expected to continue to grow, largely met by new renewables such as wind and solar. Firming capacity (including from batteries) will be needed at peak times, as well as non-network solutions like demand response. This will take time to build and commission and have available on the power system.

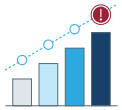
Figure 14: Twenty highest daily peaks



Risks



Not having the right grid at the right time



Peak demand

Opportunities

Increase in demand for grid infrastructure

38. The RCPD price signal provided an incentive to reduce peak consumption for the purpose of minimising transmission charges. It was removed from September 2021 due to the transition to the new transmission pricing methodology

Generation and demand customer enquiries.

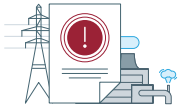
There has been significant growth in the number of connection enquiries, with a strong increase of volumes in FY26.

Load enquires are increasing as a total share. The average size of each connection is increasing, and the proportion and total count of demand-side enquiries remain notably higher than the position pre-FY21 as large industrials continue to electrify their processes.

Enquiries occur at the beginning of our customer connection pipeline of work. Transpower continues to have a large number of proposed generation connections to investigate and deliver, along with the growing number of proposed demand-side connections.

Once connection and customer infrastructure is commissioned, Transpower in its role as system operator also has a role in the commissioning process for generation or distribution assets to be utilised in the market and power system. This commissioning work continues to grow in volume – both for grid and distribution connected assets – and is expected to continue to grow in the near-term.

Risks



Not having the right grid at the right time.

Opportunities

Increase in demand for grid infrastructure

Advanced generation and storage projects by type

Of the new generation and storage in the pipeline, over half is for grid-scale solar followed by onshore wind generation. Offshore wind is yet to progress beyond concept assessment and if developed, has a very long lead time. BESS data represents Battery Storage projects. Many 'Solar' generation projects are also planning to co-locate BESS.

As at 30 June 2026, 26.1 GW (FY25: 16.0 GW, FY24: 14.0 GW) of proposed generation and storage projects have progressed to the application stage or later. Solar, onshore wind and BESS technologies continue to see strong increases in the number of advanced projects.

In aggregate for generation assets that were constructed and/or commissioned in FY26, Transpower completed 669 MW of grid-connected construction and/or power system commissioning.[39]

Risks

Inability to integrate new technologies

Opportunities

Increase in demand for grid infrastructure

39. Power system commissioning is carried out by Transpower in its role as system operator and is comprised of transmission-connected generation and distribution-connected generation capable of being offered in to the electricity market.

The Audit Office
Te Mana Arotake

Independent Limited Assurance Report

To the shareholders of Transpower New Zealand Limited

Under section 461ZH(3) of the Financial Markets Conduct Act 2013, the Auditor-General is the assurance practitioner of Transpower New Zealand Limited (the Company) and its subsidiaries and controlled entities (together referred to as the Group). The Auditor-General has appointed me, Matthew Cowie, using the staff and resources of Ernst & Young Limited, to carry out a limited assurance engagement, on his behalf, on the greenhouse gas (GHG) emissions information (GHG disclosures) and additional disclosures (as described in "scope of the engagement" section below) disclosed in the Group's Climate Statement, for the year ended 30 June 2026. The Group's Climate Statement includes the cross-referenced Greenhouse Gas Emissions Inventory Report and Climate Disclosure Scenarios document.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Group's:

- GHG disclosures subject to mandatory assurance (as outlined below); and
- additional disclosures subject to voluntary assurance (as outlined below)

within the scope of our limited assurance engagement for the year ended 30 June 2026, are not fairly presented and prepared, in all material respects, in accordance with Aotearoa New Zealand Climate Standards, issued by the External Reporting Board.

Scope of the engagement

Mandatory Assurance

The GHG disclosures below are within the scope of our mandatory limited assurance engagement:

- The gross emissions, in metric tonnes of carbon dioxide equivalent, classified as Scope 1, Scope 2 (location-based) and Scope 3, within Table 4 on pages 36 and 37 of the Climate Statement.
- The statement describing the standards that the GHG emissions have been measured in accordance with, on page 40 of the Climate Statement, to the extent this pertains to Scope 1, Scope 2 (location-based) and Scope 3 GHG emissions.
- The statement on the consolidation approach used to consolidate GHG emissions on page 40 of the Climate Statement, to the extent this pertains to Scope 1, Scope 2 (location-based) and Scope 3 GHG emissions.
- The sources (or references to sources, where applicable) of Scope 1, Scope 2 (location-based) and Scope 3 emission factors and the global warming potential rates used, in section 4.1 and 4.2 on pages 5 to 6 and within Table 5 on pages 18 to 21 of the Greenhouse Gas Emissions Inventory Report.
- The summary of specific exclusions of Scope 1, Scope 2 (location-based) and Scope 3 GHG emissions sources, including facilities, operations or assets with a justification for their exclusion, within Table 6 on page 22 of the Greenhouse Gas Emissions Inventory Report.
- The description of the methods and assumptions used (including the rationale for doing so, where applicable) to calculate or estimate Scope 1, Scope 2 (location-based) and Scope 3 GHG emissions, and the limitations of those methods, in section 4.2 and 4.3 on page 6 and within Table 5 on pages 18 to 21 of the Greenhouse Gas Emissions Inventory Report.
- The description of any uncertainties relevant to the Group's quantification of its Scope 1, Scope 2 (location-based) and Scope 3 GHG emissions, including the effects of these uncertainties on GHG disclosures, in section 4.4 on page 6 and within Table 5 on pages 18 to 21 of the Greenhouse Gas Emissions Inventory Report.
- The explanation for base year GHG emissions restatements (where applicable) relating to Scope 1, Scope 2 (location-based) and Scope 3 GHG emissions, in section 6 on page 10 of the Greenhouse Gas Emissions Inventory Report.

Voluntary Assurance

As agreed in accordance with our letter of engagement dated 03 August 2026, the scope of our limited assurance engagement also includes voluntary limited assurance on the following disclosures ("additional disclosures"):

- Governance disclosures, as required by paragraph 7 to 9 of Aotearoa New Zealand Climate Standard 1, on pages 8 to 9 of the Climate Statement.
- Strategy disclosures, as required by paragraph 11 to 16 of Aotearoa New Zealand Climate Standard 1, on pages 10 to 20 and 22 to 30 of the Climate Statement and the entirety of the Climate Disclosure Scenarios document.
- Risk Management disclosures, as required by paragraph 18 to 19 of Aotearoa New Zealand Climate Standard 1, on pages 7 and 32 to 34 of the Climate Statement.
- Metrics and Targets disclosures, as required by paragraph 21 and 22b to 23 of Aotearoa New Zealand Climate Standard 1, on pages 35 to 45 and 47 to 50 of the Climate Statement.
- All remaining Aotearoa New Zealand Climate Standard 3 disclosure requirements not subject to mandatory assurance on pages 5, 9, 12 to 13, 41 to 44, Table 1 on pages 17 to 20 and Table 4 on pages 36 to 39 of the Climate Statement, Table 4 on page 17 of the Greenhouse Gas Emissions Inventory Report and the entirety of the Climate Disclosure Scenarios document.

Other matters

The comparative information, being the Group's 2024 and 2025 additional disclosures on pages 17 to 20, 36 to 42, 44, 47 to 48 and 50 of the Climate Statement, has not been subject to assurance. As such, it is not covered by our assurance conclusion.

The remainder of the 2024 comparative information, being the Group's 2024 GHG disclosures on pages 36 to 37 of the Climate Statement was assured by Ernst & Young Limited in the firm's own capacity. Ernst & Young Limited expressed an unmodified report dated 07 August 2024.

The remainder of the 2025 comparative information, being the Group's 2025 GHG disclosures on pages 36 to 37 of the Climate Statement was assured by Ernst & Young Limited on behalf of the Auditor-General.

Key matters

New Zealand Standard on Assurance Engagements 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* requires us to consider whether there are key matters identified in our assurance procedures on the GHG disclosures and to report these if we consider they will enhance the communicative value of our report. As a result, this section relates only to the mandatory elements of our assurance, being our assurance of the GHG disclosures.

Key matters are those matters that, in our professional judgement, were of most significance in carrying out this limited assurance engagement on the Group's GHG disclosures for the current year.

Key matters were addressed in the context of our limited assurance engagement on the Group's GHG disclosures, and in forming our conclusion thereon. We do not provide a separate conclusion on these matters.

The key matters are described below:

Description of key matter	How we addressed this matter
Spend-based method used in estimation of certain Scope 3 emissions	
As explained on pages 6 and 19 to 20 of the Greenhouse Gas Emissions Inventory Report, the Group has measured the GHG emissions from "Scope 3 – Purchased goods and services", "Scope 3 – Capital goods" and "Scope 3 – Transportation and Distribution" using the spend-based calculation method. These emission categories make up a significant proportion of the total GHG emissions for the period ended 30 June 2026. The spend-based calculation method estimates emissions for relevant purchases by multiplying the value of those purchases with relevant emission factors. This method relies on average emissions per dollar spend factors, which may differ significantly from the emissions actually created from a certain spend as a result of differences between the supply chain and characteristics of the product purchased and the assumed average. The use of the spend-based calculation method comes with inherent uncertainty and may result in significantly different estimated emissions than methods that are more supplier or product specific. Due to the high level of estimation involved, improvements to the calculation method or assumptions for these emission sources could result in future material changes to, and restatement of, previously reported amounts.	In considering Transpower's reported Scope 3 emissions measured using the spend-based method we: • Obtained an understanding of the spend-based calculation method, assumptions and estimation uncertainties through enquires of management; • Considered whether the application of the spend-based calculation methodology by Transpower and a number of its suppliers aligned with the GHG Protocol; • Considered the reasonableness of the selected spend-based emission factors and their application in the calculation process; • Performed analytical procedures on the spend amounts used in the relevant calculations; and • Considered the disclosures made by Transpower in relation to the calculation method, assumptions and uncertainties estimating these emission sources.

The Board of Directors' responsibilities

Subparts 2 to 4 of Part 7A of the Financial Markets Conduct Act 2013 set out requirements for a climate reporting entity in preparing a climate statement, which includes proper record keeping, compliance with the climate-related disclosure framework and subjecting it to assurance.

The Aotearoa New Zealand Climate Standards have been issued by the External Reporting Board as the framework that applies for preparing and presenting a climate statement or group climate statement. The Board of Directors of the Group is therefore responsible for preparing and fairly presenting a Group climate statement for the year ended 30 June 2026, in accordance with those standards.

The Board of Directors is also responsible for the design, implementation, and maintenance of internal control relevant to preparing the climate statement that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Section 461ZH of the Financial Markets Conduct Act 2013, requires the GHG disclosures included in the Group's Climate Statement to be the subject of an assurance engagement.

Aotearoa New Zealand Climate Standards 1 *Climate-related disclosures,* paragraph 25 requires such an assurance engagement at a minimum to be a limited assurance engagement, and paragraph 26 specifies the scope of the assurance engagement on GHG disclosures. We also agreed to provide limited assurance on other disclosures in accordance with our letter of engagement on 3 August 2026.

To meet these responsibilities, we planned and performed procedures (as summarised below), to provide limited assurance on the GHG disclosures in accordance with New Zealand Standard on Assurance Engagements 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* and International Standard on Assurance Engagements (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements*, and to provide limited assurance on the additional disclosures in accordance with International Standard on Assurance Engagements (ISAE) (NZ) 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. These standards are issued by the New Zealand Auditing and Assurance Standards Board.

Summary of work performed

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above on the GHG disclosures and additional disclosures:

Mandatory Assurance

- We obtained, through enquiries, an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Scope 1, Scope 2 (location-based) and Scope 3 disclosures. We did not evaluate the design of particular control activities or obtain evidence about their implementation.
- We evaluated whether the Group's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Group's estimates.
- We performed analytical procedures on particular emission categories by comparing the expected GHG emissions to recorded GHG emissions and made inquiries of management to obtain explanations for any significant differences we identified.
- We evaluated the appropriateness of the emission factors applied in the Scope 1, Scope 2 (location-based) and Scope 3 measurement process.
- We evaluated the overall presentation and disclosure of the Scope 1, Scope 2 (location-based) and Scope 3 disclosures.

Voluntary Assurance

- We obtained, through enquiries, an understanding of the Group's control environment, processes and information systems relevant to the preparation of the additional disclosures. We did not evaluate the design of particular control activities or obtain evidence about their implementation.
- We read minutes of relevant committee meetings and management documentation to understand considerations of and decisions made with respect to the additional disclosures.
- We performed analytical procedures to assess the reasonableness of the additional disclosures and selected data inputs and assumptions used in the development of these disclosures.
- We agreed the additional disclosures made in the Climate Statement to underlying records.
- We evaluated the overall presentation and disclosure of the additional disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Inherent limitations

As outlined on page 6 of the GHG Emissions Inventory Report, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

As discussed on page 4 of the Climate Statement, climate-related risk management is an emerging area, and often uses data and methodologies that are developing and uncertain. The Climate Statement contains forward looking statements, including climate-related scenarios, targets, assumptions, climate projections, forecasts, statements of future intentions and estimates and judgements that have not yet occurred and may never occur. We do not provide assurance on the achievability of this prospective information.

Other information

The Climate Statement and its cross-referenced documentation, being the FY26 Greenhouse Gas Inventory Report, contain information other than the GHG disclosures and additional disclosures and the assurance report thereon. The Board of Directors is responsible for the other information.

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Statement other than the GHG disclosures and additional disclosure on pages 4 to 5, 7 to 20, 22 to 30, 32 to 45 and 47 to 50 and in the cross-referenced FY26 Greenhouse Gas Inventory Report other than pages 5 to 6, 10, Table 4 on page 17, Table 5 on pages 18 to 21, and Table 6 on page 22 and therefore, no conclusion is expressed thereon. We read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the GHG disclosures and additional disclosures, or our knowledge obtained in the assurance engagement, or otherwise appears to be materially misstated.

Where such an inconsistency or misstatement is identified, we are required to discuss it with the Board of Directors and take appropriate action under the circumstances, to resolve the matter. There are no inconsistencies or misstatements to report.

Independence and quality management

We complied with the Auditor-General's independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. These principles for example, do not permit us to be involved in the preparation of the current year's GHG information and additional disclosures as doing so would compromise our independence.

We have also complied with the Auditor-General's quality management requirements, which incorporate the requirements of Professional and Ethical Standard *3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (PES 3) and Professional and Ethical Standard 4 *Engagement Quality Reviews* (PES 4) issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. PES 4 deals with an engagement quality reviewer's appointment, eligibility, and responsibilities.

In addition to this engagement we have carried out assignments in the areas of financial statement audit, review of the interim financial statements, other assurance services, and remuneration benchmarking, which are compatible with the independence requirements. Other than this engagement and these assignments, we have no relationship with or interests in the Company or any of its subsidiaries.

Matthew Cowie
Ernst & Young Limited
On behalf of the Auditor-General
Auckland, New Zealand
27 August 2026

TRANSPOWER

www.transpower.co.nz