

## **27 April 2023 – Prudent Discount Manual**

### **Question:**

The prudent discount manual requires an application to be ‘verified’: who should do this? Should this be a ‘big 4’ type assessment of the whole application (e.g. similar to those completed for the TPM) or is it a separate engineering peer review?

### **Response:**

The verifier needs to confirm the accuracy and sufficiency of the information and analysis contained in the application, and in particular whether the TPM requirements for the type of prudent discount being applied for are satisfied objectively. This will include assessing the engineering scope of the alternative project, the alternative project costs (cost of capital, materials, fuel, construction etc.) and how the alternative project would impact the relevant customers’ transmission charges.

The breadth of expertise required for this task may require the independent verification to be carried out by more than one person or firm, which the TPM allows for. A “big 4” firm may have the necessary expertise to verify the application without involving anyone else. Other options might include an engineering firm or an economic/ financial consulting firm. Experience with developing or advising on business cases for investments of the same type as the alternative project would be desirable. The verifier(s) must be approved by Transpower, and we may ask for evidence of the verifier(s’) experience and qualifications as part of that.