



Independent Reasonable Assurance Report to Transpower New Zealand Limited

Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects:

- the determination of the proposed starting BBI customer allocations of the HVDC Reactive Support benefit-based investment; and
- the associated disclosures in *TPM Consultation: NZGP1.1 – HVDC Reactive Support proposed starting BBI customer allocations Draft record of application of the price quantity method* dated February 2026;

have been prepared in accordance with the *BBC Assumptions Book version 1.1* dated March 2023 and the requirements of Schedule 12.4D of the Electricity Industry Participation Code Amendment (Transmission Pricing Methodology) 2023.

Information subject to assurance and criteria

We have performed an engagement to provide reasonable assurance in relation to Transpower New Zealand Limited's (Transpower) determination of the proposed starting BBI customer allocations of the HVDC Reactive Support benefit-based investment and associated disclosures in *TPM Consultation: NZGP1.1 – HVDC Reactive Support proposed starting BBI customer allocations Draft record of application of the price quantity method* ("the document") dated February 2026 ("Information Subject to Assurance") in accordance with the *BBC Assumptions Book version 1.1* ("the Assumptions Book") dated March 2023 and the requirements of the Transmission Pricing Methodology ("TPM"), as set out in Schedule 12.4D of the Electricity Industry Participation Code Amendment (Transmission Pricing Methodology) 2023 ("the Criteria").

Standards we followed

We conducted our reasonable assurance engagement in accordance with Standard on Assurance Engagements 3100 (Revised) Compliance Engagements (**SAE 3100 (Revised)**) issued by the New Zealand Auditing and Assurance Standards Board (**Standard**). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In accordance with those standards we have:

- used our professional judgement to assess the risk of material misstatement and non-compliance and plan and perform the engagement to obtain reasonable assurance that Transpower's application of the TPM to the determination of the proposed starting BBI customer allocations of the HVDC Reactive Support benefit-based investment is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.



How to interpret reasonable assurance and material misstatement

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement or non-compliance when it exists.

Misstatements, including omissions, within the determination of the proposed starting customer allocations of the benefit-based investment are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the proposed starting customer allocations of the benefit-based investment.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement as at the date of this report does not provide assurance on whether compliance with the TPM will continue in the future.

Use of this assurance Report

This report has been prepared for Transpower and is provided solely to assist Transpower in establishing that the requirements of the TPM have been met. Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than Transpower, or for any purpose other than that for which it was prepared.

Grid Investment Group Manager's responsibility

The Grid Investment Group Manager is responsible on behalf of Transpower for the identification of the criteria (including risks that threaten the criteria being met), for the preparation and fair presentation of the determination of the proposed starting BBI customer allocations of the HVDC Reactive Support benefit-based investment in accordance with the Assumptions Book and with the requirements of the TPM, including implementation of internal controls to mitigate risk of non-compliance with the TPM, and for providing access to all information that is relevant to the preparation of the information subject to assurance and persons within Transpower from whom KPMG determines if necessary to obtain evidence in accordance with ISAE (NZ) 3000 (Revised) and SAE 3100 (Revised).

Our responsibility and assurance procedures

Our responsibility is to express an opinion to Transpower on whether the preparation and presentation of the proposed starting BBI customer allocations of the benefit-based investment is, in all material respects, in accordance with the requirements of the Assumptions Book and TPM.

Our procedures included examining, on a test basis, evidence supporting the determination of the inputs to the calculation of the proposed starting BBI customer allocations of the HVDC Reactive Support benefit-based investment, examination of internally and externally generated documents and records, interviewing selected personnel and other procedures as we considered necessary in the circumstances.

Our specific procedures have included:

- Vouching inputs to the standard method market model ("model inputs") to the Assumptions Book, or to underlying business records of Transpower, external data sources, and other sources as stated in the document;
- Reconciling the inputs disclosed in the document to the model inputs;
- Assessing whether the processes and assumptions disclosed in the document faithfully represent the activities undertaken by Transpower in calculating the model inputs;



- Assessing whether the activities disclosed in the document are consistent with the processes disclosed in the Assumptions Book, or that departures from the Assumptions Book have been adequately disclosed;
- Testing, with reference to the disclosure in the document, the mechanical accuracy of the post-process calculations used to produce the proposed starting BBI customer allocations based upon the outputs of the standard method market model; and
- Reviewing and providing feedback on the narrative disclosures in the document in respect of the accuracy of description of model inputs and associated processes.

In performing the above procedures, we extracted required data from Transpower's application systems and business records, external data sources or other sources as stated in the Assumptions Book or the document. We did not perform any procedures to validate the accuracy and completeness of the data within the application systems, or supporting information technology general controls, business records, external data sources and other sources to assess the reliability of the information obtained from them, and accordingly our assurance conclusion does not extend to the completeness and accuracy of underlying inputs.

In addition, we obtained the results of management's application of the standard method market model ('SDDP'). We did not perform any procedures to validate the accuracy and completeness of the operation of the market model and accordingly our assurance conclusion does not extend to the completeness and accuracy of the operation of the market model, or the disclosures in the document associated with the operation or outputs of the market model.

Our independence and quality control

We have complied with the independence and other ethical 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, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies 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**), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided services to Transpower in the areas of taxation, regulatory assurance and professional advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with Transpower on normal terms within the ordinary course of trading activities of the business of Transpower. These matters have not impaired our independence as assurance providers of Transpower for this engagement. The firm has no other relationship with, or interest in, Transpower.

KPMG

Wellington

10 February 2026