



Independent Reasonable Assurance Report to the General Counsel and Company Secretary of 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 CNI benefit-based investment; and
- the associated disclosures in *TPM Consultation: CNI proposed starting BBI customer allocations Draft record of application of the price quantity method* dated 27 April 2023;

have been prepared in accordance with the *BBC Assumptions Book v1.1* dated 16 March 2023 and the requirements of Schedule 12.4D of the Electricity Industry Participation Code Amendment (Transmission Pricing Methodology) 2022.

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 CNI benefit-based investment and associated disclosures in *TPM Consultation: CNI proposed starting BBI customer allocations Draft record of application of the price quantity method* ("the document") dated 27 April 2023 ("Information Subject to Assurance") in accordance with the *BBC Assumptions Book v1.1* ("the Assumptions Book") dated 16 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) 2022 ("the Criteria").

Our procedures

Our procedures included examining, on a test basis, evidence supporting the determination of the inputs to the Net Private Benefit and the calculation of the proposed starting BBI customer allocations of the CNI 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;
- Replicating the processes and calculations used to sanitise data (“data processing”), that is used as an input to the post-process calculations, based upon the business rules communicated to us by Transpower, using the outputs of the market models provided to us by Transpower;
- 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 data processing; 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’), over which Transpower has obtained other external assurance. 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.

Standards we followed

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*. 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 CNI 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 Net Private Benefit 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 Net Private Benefit of the benefit-based investment.

Use of this assurance Report

Our report should not be regarded as suitable to be used or relied on by any party's other than Transpower for any purpose or in any context. Any party other than Transpower who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Transpower for our work, for this independent reasonable assurance report, or for the opinions we have reached.

Our report is released to Transpower on the basis that it shall not be copied, referred to or disclosed, in whole (save for Transpower's own internal purposes) or in part, without our prior written consent. We consent to the disclosure by Transpower of our report on an information only basis for the purposes of consulting on its proposed benefit-based investment starting customer allocations.

Head of Grid Pricing's responsibility for application of Schedule 12.4D

The Head of Grid Pricing is responsible on behalf of Transpower for the preparation and fair presentation of the determination of the Net Private Benefit and proposed starting BBI customer allocations of the CNI benefit-based investment in accordance with the Assumptions Book and with the requirements of the TPM. This responsibility includes such internal control as the Head of Grid Pricing determine is necessary to enable the preparation of the Net Private Benefit and proposed starting BBI customer allocations of the benefit-based investment that is free from material misstatement and non-compliance whether due to fraud or error.

Our responsibility

Our responsibility is to express an opinion to the General Counsel and Company Secretary on whether the preparation and presentation of the Net Private Benefit and proposed starting BBI customer allocations of the benefit-based investment is, in all material respects, in accordance with the requirements of the TPM.

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) 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 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and 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.

A handwritten signature of the KPMG firm, written in blue ink. The signature is stylized and appears to be 'KPMG'.

KPMG
Wellington
27 April 2023