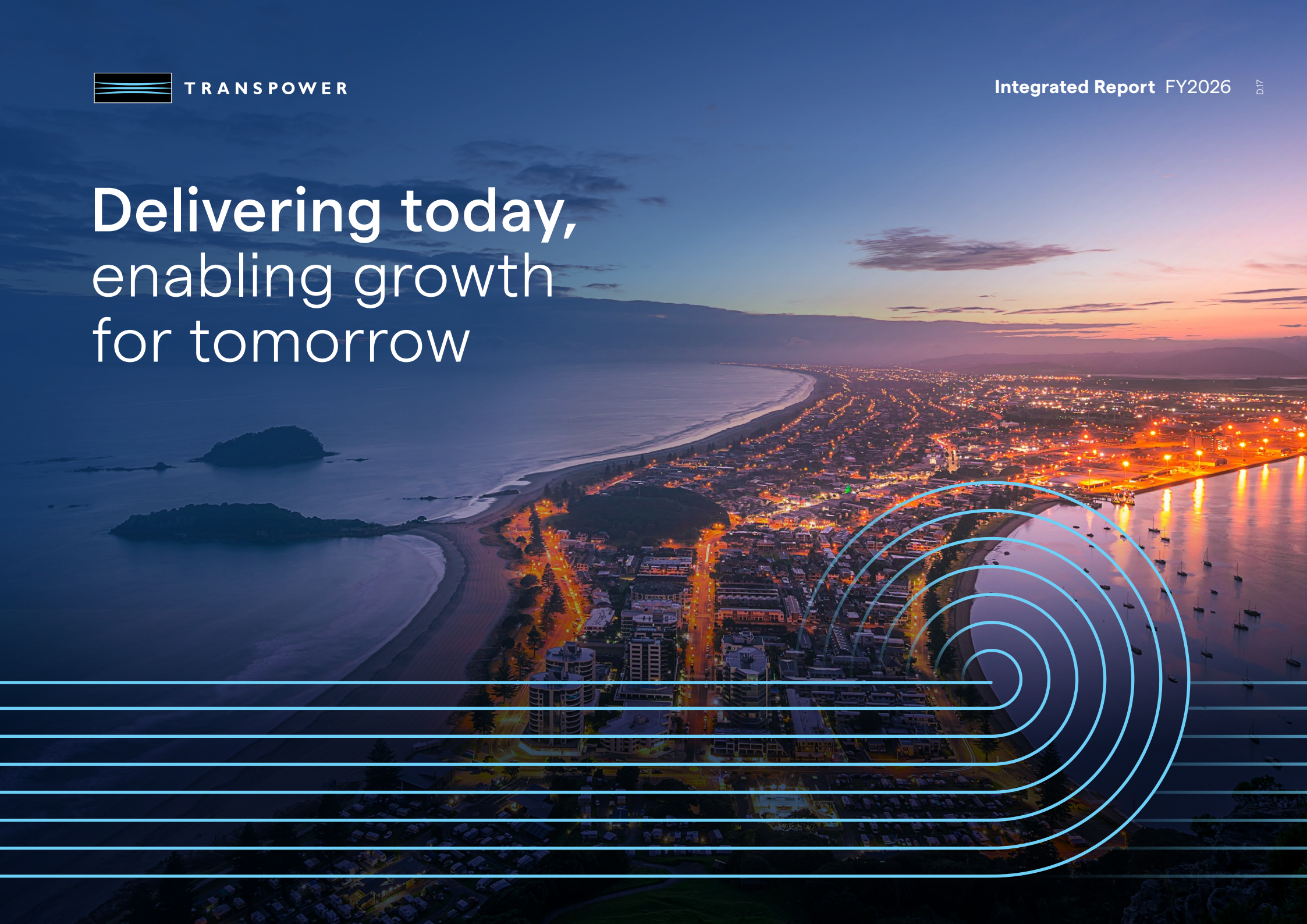




Delivering today, enabling growth for tomorrow



Welcome to our FY26 Integrated Report

Transpower has a key role to play in Aotearoa New Zealand's journey to electrification.

It's our job to ensure that the transmission infrastructure, and our systems and people, are ready for the expected 80% increase in electricity demand by 2050. We are staying ahead of the curve to enable and connect the increased generation New Zealand will need to meet this demand, and in our role as System Operator ensure we evolve to meet the challenge of distributed energy, new technologies and changing weather patterns.

This integrated report is a record of our targets, our priorities, and our progress as we support the electrification journey. It provides a clear window into our social, environmental and financial impacts, and what we are doing to measure and address these. The electricity sector is complex; part of our reporting goal is to provide detail about where Transpower fits in, the scope and extent of its role, and how it creates value over the short, medium and long term for all New Zealanders.

Transpower is a climate-reporting entity for the purposes of the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021, and our reporting is informed by Global Reporting Initiative (GRI) Guidelines to meet the Integrated Reporting

Framework. We report on our climate-related risks and opportunities, including our governance structure and management actions, in accordance with the Aotearoa New Zealand Climate Standards. Our FY26 Climate Statement, including our annual greenhouse gas (GHG) emissions report, can be found **on our website**.

At the heart of this report are stories of achievement, connection and challenge. The three central sections detail what we are doing to support our delivery, our partnerships, and our organisation-wide focus on a secure and affordable energy transition. Transpower does not produce a separate sustainability report, but you can

track our progress against key sustainability objectives and targets on **pages 42–43**.

In the **Our business** section, you will find more information about our leadership team, our corporate governance settings, and how we are meeting our key targets and deliverables as an organisation. Finally, the report includes Transpower's financial statements for the year ended 30 June 2026.



Scan to visit:
[Sustainability – Transpower](#)



Contents

Introduction

Who we are	04
Where we fit in	05
Chair column	06
Chief Executive column	07
How we create value	08
The year in numbers	09
Highlights	10
Our strategic framework	11
Our strategic priorities	12
Measuring our progress	13
Our engagement approach	14
What matters most	16
Our Sustainable Development Goals	18
Key risks	19
Material issues index	20

Our business 48

Targets and outcomes	49
Executive Leadership Team	58
The Board	59
Corporate governance	60
Company performance and remuneration	64
Statutory and additional disclosures	68

Financial performance 70



Enabling delivery at pace 22

Building resilience at scale	23
A record year for connecting customers and generation	24
A critical asset – upgrading the Cook Strait link	26
Strengthening our grid for growth	27
A clear forward view for our System Operator	29



Growing our energy future together 30

Te Kanapu – our Future Grid Blueprint	31
One giant leap for electrification	32
Complexity beneath the surface in Auckland	33
Collaborating for growth in Queenstown	34
Win-win at Lake Karāpiro	35



A secure and affordable transition 36

Building in flexibility from the start	37
Going digital, delivering faster	38
A health check on how we charge our customers	39
A sustained and supported workforce	40
Operating the control room of the future	41
Sustainability Strategy FY2026	42

Who we are

Transpower has been powering and connecting Aotearoa New Zealand for over 100 years.

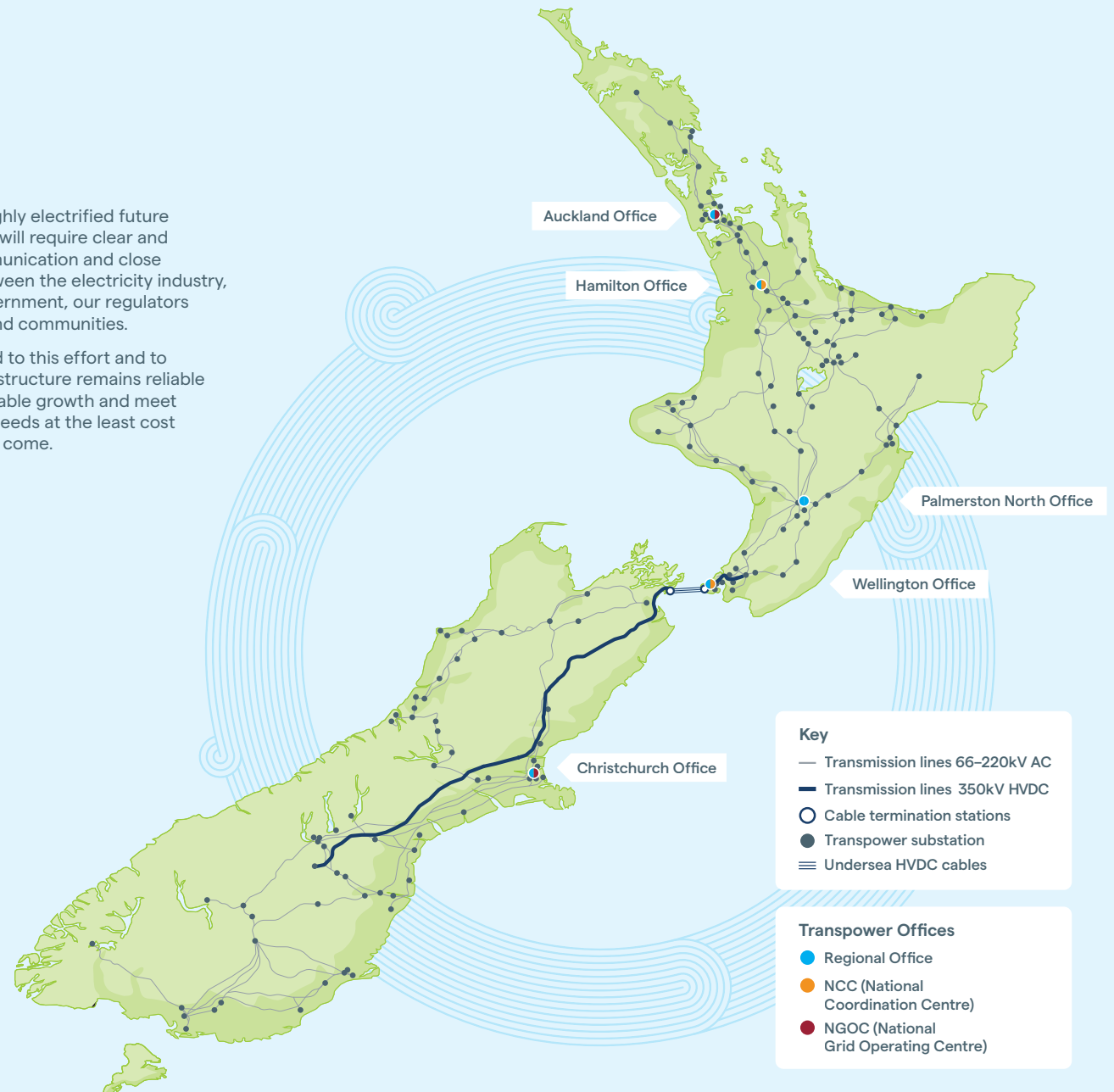
We own and operate the national grid on behalf of all New Zealanders, a lifeline utility that moves electricity from where it is made to where it is needed for our nation's homes, businesses and communities.

In our role as System Operator we run the electricity market and balance electricity demand and supply to ensure the dispatch of secure, stable electricity in real time.

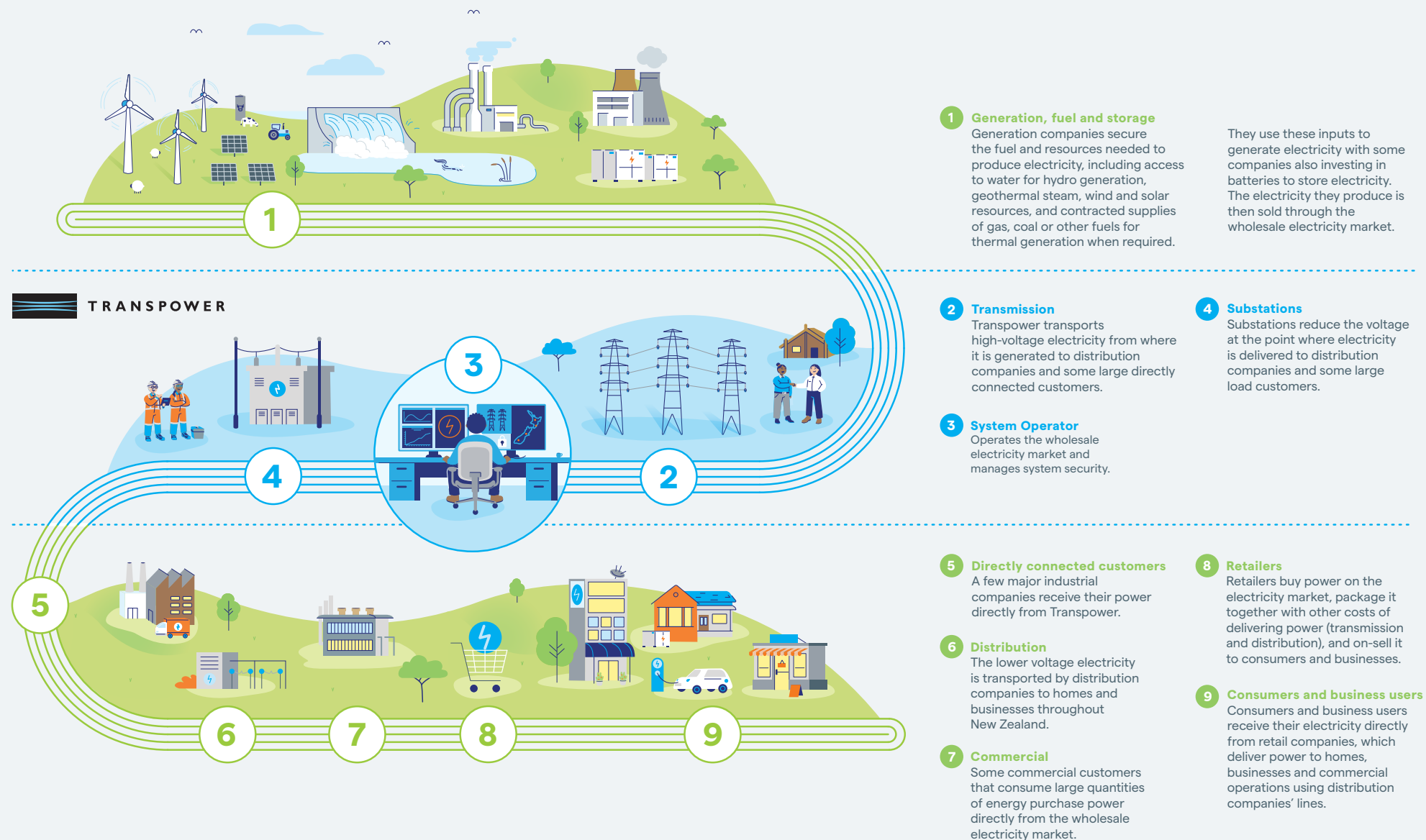
The national grid is made up of thousands of kilometres of lines that span thousands of towers and connect with hundreds of substations from Kaikohe to Bluff. Our team and Service Provider whānau work behind the scenes to plan, maintain, build and operate these infrastructure assets, and to ensure the smooth and secure running of the power system. We work to safeguard and support this infrastructure so that New Zealand gets the energy it needs to fuel warmth, security and economic prosperity long into the future.

Preparing for a highly electrified future is a team effort. It will require clear and transparent communication and close collaboration between the electricity industry, business, iwi, Government, our regulators and all New Zealand communities.

We are committed to this effort and to ensuring our infrastructure remains reliable and resilient to enable growth and meet New Zealanders' needs at the least cost for generations to come.



Where we fit in



Chair column



A grid to support growth

Transpower's role at the centre of Aotearoa New Zealand's electricity system has never been more important. A secure, reliable and affordable supply of electricity underpins the productivity of our economy, the resilience of our communities, and the choices New Zealanders can make about how they live, work and grow. New Zealand's energy future will require more electrified industry, businesses, homes and transport, and more electricity generation to support that. As electrification gathers pace, the national grid and the system we operate must be ready to enable that future.

The Board's focus has been on ensuring Transpower continues to perform its core responsibilities well while preparing for the scale of change ahead. While being mindful of affordability and cost of living challenges, this integrated report records a year in which the organisation continued to keep power flowing, strengthened critical national infrastructure,

improved the way we operate and worked with customers, communities, iwi, regulators, Government and the wider sector to support a secure and affordable transition.

During the year, Transpower made good progress supporting the connection and commissioning of new generation and customer projects. The sector's investment pipeline remains significant, showing the importance of a grid that can enable growth at pace while maintaining discipline around cost, timing and delivery.

Transpower also continued to play an important system leadership role through the System Operator Strategy, Te Kanapu Future Grid Blueprint, and regional planning and engagement, helping build a shared understanding of the future electricity system and how the sector can work together to deliver it.

Investing in resilience

The Board continues to oversee Transpower's sustainability commitments and annual reporting of GHG emissions. We are pleased to note an embedding of the organisation's climate reporting, with the publication of its second Climate Statement in August 2026, as required by the Aotearoa New Zealand Climate Standards.

These reports support Transpower's annual work against its Climate Adaptation Plan, which provides a strong framework for planning, advocacy and adaptation to ensure a secure supply of electricity even in the face of increasingly severe weather events.

FY26 is the first year of Transpower's regulatory Control Period Four (RCP4) and the first year with dedicated funding for proactive climate risk reduction. This investment is crucial to improving resilience in New Zealand's shared electricity assets and preparing the country for the future.

Efficient and reliable performance

Delivering a secure supply of electricity remains a top priority for all our stakeholders, and Transpower has worked consistently to ensure it meets the key service measures that gauge performance in this area. Over the past year, Transpower met all of the 16 targets outlined in the Statement of Corporate Intent.

As the energy transition gains in pace, timely and efficient connection of new customers to the grid will be increasingly important. The Board recognises the importance of continuous improvement in this area, so that projects can connect efficiently and support the lowest overall system cost for consumers.

Financial results

Over the past year Transpower has delivered consistently on the financial expectations held for the organisation as a State-Owned Enterprise, and in returns to our shareholder, the New Zealand Government. Operating revenue increased by 17% to \$1.15 billion.

In line with our RCP4 submission, operating expenses increased 6% on the previous period (from \$420 million in 2025 to \$446 million), driven by additional maintenance to grid infrastructure following severe weather, planned step changes in project maintenance, and the final phase of a planned boost to the organisation's workforce over the first half of the financial year. We will continue to challenge ourselves on the efficiency and effectiveness of our expenditure as we strive to deliver a least-cost outcome for New Zealanders.

Net profit after tax was \$176 million as a result of shifting margins following the first full year of RCP4. A final dividend of 2.5 cents per share, or \$30 million has been declared. The increase in net profit over last year was planned as part of this RCP and reflects the need to reinvest in refurbishing

and replacing ageing parts of the grid. Transpower will continue to strive to represent a value-for-money investment on behalf of all New Zealanders while ensuring the transmission infrastructure it needs.

Board changes

It was my pleasure to welcome Bruce Parkes as a new director to the Transpower Board in August 2025. Bruce brings advocacy and stakeholder knowledge, alongside strategic leadership experience across government and the private sector. I also extend my appreciation to my fellow Board members, Chief Executive James Kilty and to the whole team at Transpower for their hard work to keep the power flowing for New Zealand.

Looking ahead

The demand for electrification domestically and globally, is huge. We are clear that we must innovate to accelerate and deliver the enabling infrastructure and system operations New Zealanders need, at least cost. We embrace this challenge and are confident that our staff have the right skills and capabilities to meet New Zealanders' expectations.

A handwritten signature in black ink, appearing to read 'M Embling', written over a light blue circular graphic element.

Michele Embling
Chair

Chief Executive column



A grid for New Zealand's future

This year has reinforced how quickly the context around us can change. Geopolitical uncertainty, cost-of-living pressure, fuel market volatility and the accelerating impact of technology are all shaping the environment New Zealand operates in. For Transpower, that context brings welcome alignment from stakeholders. Electricity is central to New Zealand's resilience, productivity, growth and long-term prosperity. The national grid has a critical role in enabling a better future.

New Zealand starts from a position of strength. We have abundant renewable resources, a highly renewable electricity system, and growing demand from communities and businesses wanting to electrify and grow. Our responsibility is to make sure New Zealand's transmission grid and electricity system supports that ambition. It means reducing barriers to electrification, investing ahead of need where it is prudent to do so, and being transparent about the choices, trade-offs and costs involved. Above all, it means making decisions that are in the long-term interests of New Zealanders.

That also means keeping affordability front of mind, because the benefits of electrification will only be realised if households, businesses and communities can access reliable electricity at a cost they can afford.

Energy security is key

Over the next 15 years, New Zealand will need to build and connect as much new generation as was built over the previous 40 years. That work is already well underway. During the year, Transpower enabled the connection and/or commissioning of 669 MW of new renewable generation, batteries and capacity upgrades. We have 17 new generation connection projects in delivery, representing an additional 3,342 MW worth of capacity set to be delivered by the end of 2028 if customers commit.

That pipeline should give confidence. But confidence does not mean complacency. The system is becoming ever more renewable, more distributed and more dependent on weather. Maintaining the right mix of fuels, resources and operational tools will be essential to keep electricity secure when demand is high and conditions are tight. A proactive and pragmatic approach to security of supply is vital to encourage the long-term investment needed.

Transparent, decisive investment

The pace of electrification is visible in the scale and complexity of the grid investment programmes now underway across the country. These investments are about making the most of the grid we have, building capacity where it is needed, looking for cost effective non-transmission options, connecting new renewable generation, enabling industrial electrification and reducing constraints that could otherwise hold back regional growth.

We are planning ahead of need because delivery of this scale requires discipline, foresight and strong execution. Our **Te Kanapu**

programme is looking ahead to the future grid that New Zealand will need into the 2030s and beyond. Our **System Operator Strategy** is establishing a broader 10-year horizon so we can support a more complex and dynamic electricity system. Together this work is helping us make better decisions about where to invest, when to act and how to manage risk.

We are focused on asking the right questions from our customers and energy sector partners to support our thinking, and on improving direct visibility into Transpower's processes. Our integrated report includes some clear markers of this increasingly transparent approach. It is evident in our work to understand how we can best support regional development in **Queenstown**, and in the increasingly joined-up approach to building **non-transmission solutions** into New Zealand's large grid investments.

Vigilant and efficient operations

Our diverse team is at the heart of what we do, and I continue to observe strong focus and commitment from our staff. For the first time this year our engagement scores have exceeded our target of being in the top quartile for Energy and Utilities companies, placing us in the top 10% even as the pace and pressure accelerate. Safety remains a significant focus for the organisation and we remain vigilant in our focus on prevention in this high-risk industry.

Transpower's internal systems must be ready for the pace and scale of work needed to deliver for New Zealand. Operational cohesion and efficiency remain a key strategic focus. We continue to challenge the way we operate in order to ensure we are facing the future with streamlined, fit-for-purpose systems across our business. Innovation and commercial rigour in our business practices will be vital in enabling us to deliver on our commitments at the least cost for consumers.

This year we initiated an innovation programme with the goal of identifying potential savings during RCP4. Our first challenge sprint has already identified \$53 million in savings through refinements to our Tower Painting Strategy.

Changes at Executive Team level

During the year, we farewelled Catherine Shaw, Chief Financial Officer. I thank Catherine for her valued contribution to Transpower.

We also welcomed new members to the Executive Leadership Team, Greg Smith as Chief Financial Officer and Louise Griffin as Executive General Manager External Affairs. I am grateful for the leadership, judgement and energy of the Executive Leadership Team, and for the support and challenge provided by our Board and Chair, Michele Embling.

Ensuring all New Zealanders can benefit

Eighteen months into the Chief Executive role, I remain impressed by the depth of capability across Transpower and by the seriousness with which our people approach the task ahead. Electricity connects our homes, businesses and communities. At scale it will add strength to our economy, enable innovation and support a more resilient New Zealand. Our job is to help make that possible – with pace, pragmatism and integrity – so all New Zealanders can benefit from the opportunities electrification creates.

James Kilty
Chief Executive

How we create value

Inputs

Transpower is responsible for planning, building, maintaining and operating the national grid, as well as operating the power system.



Manufactured capital

Our physical assets, our offices, technology and grid infrastructure



Human capital

Our employees and Service Providers; their knowledge, skills and diversity



Intellectual capital

Our knowledge translated into service specifications, standards, policies and procedures, how we innovate and teach



Natural capital

The natural resources we use and the natural and cultural characteristics of where our assets are located



Social capital

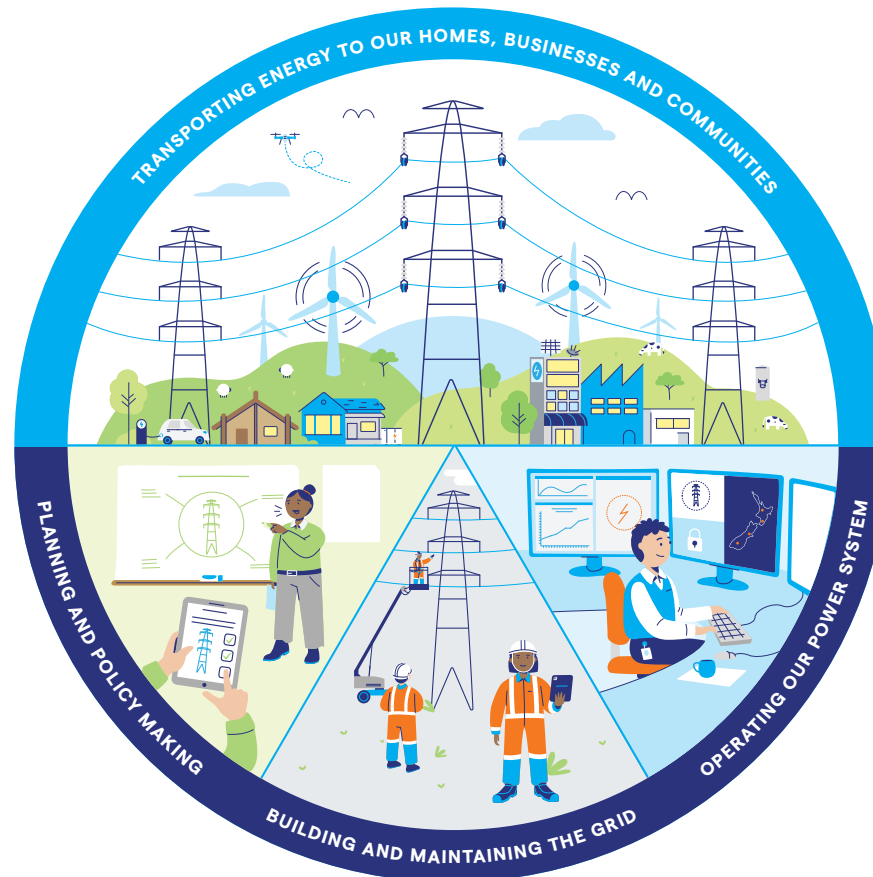
Our relationships with all stakeholders and how we give back to communities



Financial capital

Income from our regulated and unregulated activities

What we do



OUR PURPOSE

Whakamana i te mauri hiko tū mai Aotearoa Empowering the energy future for New Zealand

Outcomes

We measure outcomes against six performance indicators. The targets and outcomes of our activities are outlined in more detail on **pages 49–57**.



Safety

The safe operation of our assets and the protection of everyone near them



People

Diversity in our approach and excellence in our operation



Relationships

Stakeholder needs are met and relationships are enduring



Sustainability

Addressing climate change, being environmental stewards and supporting our communities



Customers

Ensuring a secure and reliable supply for all connected parties



Financial

Delivering results that meet expectations and create a sustainable business

The year in numbers

^ 64.5%

\$176m

NET PROFIT AFTER TAX

^ 16.6%

\$1.15b

REVENUE

^ 5%

\$644m

CAPITAL EXPENDITURE

∨ 11.1%

\$16m

TAX PAID

1,100

SERVICE PROVIDER EMPLOYEES
(WORKING ON TRANSPOWER
ASSETS AT ANY TIME)

\$799m

MAINTENANCE AND
CAPITAL EXPENDITURE

\$92m

DIVIDENDS PAID OUT
TO THE CROWN

\$677m

FUNDS RAISED FROM
TERM DEBT*

6

TRANSPOWER WORKS
AGREEMENT FOR GRID-
CONNECTED SOLAR

25,245

LANDOWNER
INTERACTIONS

80%

CUSTOMER
SATISFACTION SCORE

1,113

STAFF

\$778,000

FUNDS GRANTED TO
COMMUNITY PROJECTS

105

CONNECTION ENQUIRIES

*Excludes short-term commercial paper issuance

Highlights

July 2025



First Te Kanapu consultation on the future of New Zealand's grid

August



Energy Excellence Awards
Energy Project of the Year – Transpower
Large Energy User Initiative of the Year – Fonterra and Transpower

September



New Redclyffe transformer boosts power supply and resilience in Hawke's Bay and Tairāwhiti

October



New Customer Investment Data Portal launches



Widespread storms prompt Upper South Island outage response

November

April



Approval for \$47 million Redclyffe rebuild granted by Commerce Commission

March



New, 8,000 m² Transpower warehouse opens in Rolleston

December



Launch of Parents' Package to support Transpower people and their whānau



Transpower's biennial STAR (Safety, Thanks and Recognition) Awards held in Auckland

May



Space weather industry exercise in conjunction with the Electricity Authority

June 2026



Completed upgrades to increase supply to Queenstown by 50%



Commerce Commission approves \$1.1 billion Cook Strait HVDC upgrade



Draft System Operator Strategy published



Transpower-sponsored Capital Kiwi celebrates the 250th wild kiwi released onto the hills above Wellington

Our strategic framework



Our strategic priorities

Transpower's strategic thinking is framed by a clear understanding of the local and global drive to electrify and the potential ways this energy future could be achieved.

The role Transpower plays in enabling electrification is vital in delivering a safe, efficient, affordable supply of electricity today and into the future. This allows us to act in both a systematic and responsive fashion as we tackle the challenges ahead in electrifying Aotearoa New Zealand.

We hold ourselves accountable to key initiatives that govern our goals and deliverables in the short, medium and long term. In FY2026, our five strategic priorities and 18 key project initiatives were as follows.



Measuring our progress

Key: *

⊗ Not achieved

🟡 Some progress

🟡 In progress

🟢 Significant progress

✅ Achieved

Strategic Priority	Focus Area	Status	Comments
 Enhance our social licence to operate	Demonstrate value to consumers by engaging widely on the future of the power system	🟢	Updated electricity demand scenarios and engaged a wide range of stakeholders to support transparent, informed planning for New Zealand's energy future as part of our Te Kanapu – Future Grid blueprint work programme.
		✅	Introduced a new customer and stakeholder platform to improve responsiveness, consistency and visibility of engagement.
		🟡	Year one of a new reputation and communications strategy has been implemented with the development of an electrification campaign underway.
 Deliver services that meet our customers' needs	Meet our performance targets as Grid Owner and System Operator	✅	All Grid Owner Service Measures (quality standards) were met to support reliable electricity transmission across New Zealand, including Customer Engagement survey.
		✅	All System Operator measures were met to support the market including the System Operator satisfaction score.
 Facilitate delivery of an optimised transition path for Aotearoa New Zealand's energy system	Enable a reliable and affordable power system by working with stakeholders to advocate for improved market and policy settings	✅	Consulted with the Electricity Authority and industry to develop a refreshed System Operator Strategy to support secure, efficient operation of a more renewable electricity system.
		✅	Developed the Control Room of the Future capability programme and delivered on the year's planned suite of initiatives.
		🟡	Strengthened security of supply through improved dry-year monitoring, forecasting, market information and engagement.
		🟡	Advanced the Transmission Pricing Methodology Operational review to improve transparency and confidence in transmission charges.
		🟡	Engaged with industry to prepare for a more renewable, decentralised and electrified power system.
 Accelerate electrification through our asset investments	Accelerate the connection of generation and load	✅	Improved the generation connection pipeline through stronger management and readiness criteria. Significant reduction in customer pipeline, reducing the longest wait time for ready-to-proceed projects from 14 months to 8 months. Connected and/or commissioned 669 MW of new generation, batteries and capacity upgrades to the grid.
	Expedite our investment programme to ensure capacity is in the right place at the right time	✅	Implemented the first digital substation to use digital communications technologies throughout the switchyard to monitor, control and protect the grid.
		🟡	Advanced major transmission investments, including approval for the HVDC link upgrade, Western Bay of Plenty programme and approval of Redclyffe rebuild. Other major capital projects tracking to plan.
		🟡	Delivered the year's Net Zero Grid Pathways phase 1 projects to strengthen reliability, support electrification and enable future growth.
 Advance our organisational effectiveness	Drive innovation through our processes, technology and workforce capability to deliver efficiency at scale	✅	Implemented a new outage optimisation process to support growing volumes of grid investment and customer connections.
		✅	Implemented AI capability and adoption programme via MS Copilot roll-out.
		✅	Completed the design and testing phase of the TransGO Refresh Programme – an enhanced mission critical communication network, including protection signalling and SCADA systems.
		✅	Commenced the Enterprise Business Capability programme to streamline business processes and information using modern fit for purpose tools moved into delivery as planned.
		✅	Initiated an innovation programme to increase throughput and find efficiencies and savings over the next four years.

*Where initiatives are multi-year the status is based on achievement against the delivery of the planned outcomes for the reported year.

Our engagement approach

Transpower's role at the centre of the electricity system – and as the caretaker of Aotearoa New Zealand's transmission grid – means we have a broad impact around the country and work closely with a wide range of stakeholders.

We see this as both a responsibility and an opportunity, and we are committed to listening and communicating clearly at all phases of our planning and operations.

We connect with stakeholder groups across our operations via a number of different channels. We provide a monthly round-up of news and events via our emailed bulletin, **News from Transpower**. We also provide regular news via our website, including dedicated pages for significant projects.

Those who take an active interest in our work can follow us on **Facebook** or **Instagram**, and subscribe to media releases and project updates on our **Subscribe and Update** webpage.

We aim to meet stakeholders in person as frequently as possible. We hold regular in-person hui and events, including our stakeholder functions. We also host a regular panel forum to represent the views and insights of electricity consumers.

We use annual surveys to measure responses to our engagement, and seek ongoing feedback from several key stakeholder groups, including our landowners and direct customers. In our role as System Operator we deliver an annual Education and Engagement plan to the Electricity Authority. We also provide monthly and quarterly performance reports and conduct an annual self-review.



Subscribe and
Update page



Our stakeholders

Consumers

All electricity consumers are affected by the work we do to bring electricity to communities.

Landowners and communities

Our key stakeholders in the community are those with towers and lines on their properties, or those who neighbour our substations. Others include those in wider communities impacted by our assets, such as the Department of Conservation; landowner representative bodies such as Federated Farmers, Hort NZ and the New Zealand Forest Owners Association; and developers impacted by our assets.

Iwi and hapū

Some of our assets are located on land owned by mana whenua, or land where mana whenua have strong cultural connection.

Customers

Our customers are companies that connect directly to the national grid, including distribution companies, electricity generators, and major industrial companies.

Electricity industry and major users

We liaise extensively with the wider sector, including electricity market participants and major electricity users who are not directly connected to the grid but have significant electricity needs.

Service Providers and suppliers

We contract Service Providers to build, maintain and service our infrastructure. They also provide project services, engineering design consultancy, facilities management, IT services, and equipment. Our suppliers and banking partners are key stakeholders.

Central and local government

Because we are a State-Owned Enterprise, the Government is a key stakeholder, as are local authorities which manage compliance of our work with the Resource Management Act and proposed Natural and Built Environment Act.

Investors

Transpower is listed on the NZX debt market and has numerous debt investors in New Zealand and offshore debt capital markets.

Regulators

Our regulatory stakeholders are the Commerce Commission (who regulate our economic return and performance, and represent the rights of consumers) and the Electricity Authority (who regulate the electricity market, setting industry standards and transmission pricing). Our debt issuance is regulated by the Financial Markets Authority. Our insurance activities, and the company's captive insurer Risk Reinsurance Ltd, are regulated by the Reserve Bank of New Zealand.



What matters most

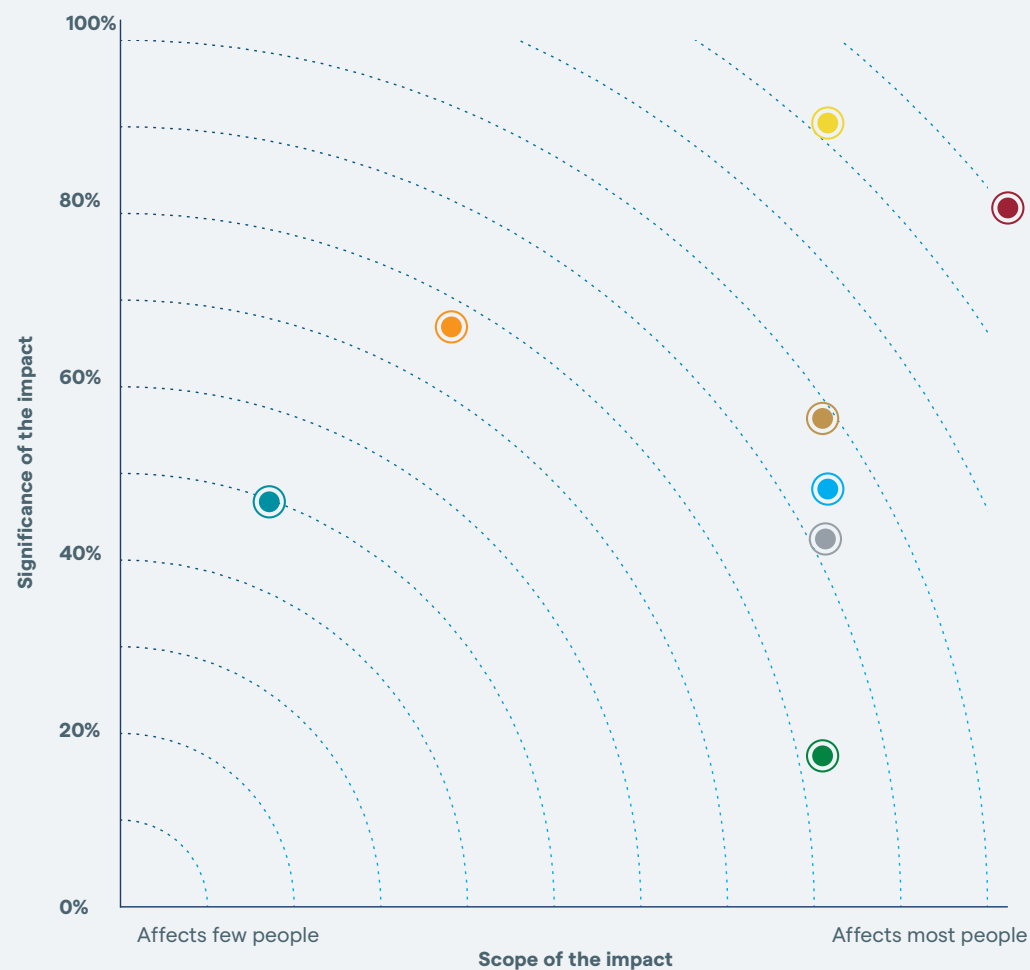
We conduct regular materiality assessments to ensure we have a clear understanding of the impact of our operations, and what matters most to our stakeholders.

This assessment provides a framework for our integrated reporting: it allows us to accurately measure and assess how we are addressing these impacts.

We conducted a fresh materiality assessment with Tonkin + Taylor in 2025. This update included a peer organisation review that aimed to identify any gaps in our matrix design or blind spots in our coverage and questioning. What surfaced in our FY25 report was a significant shift in perception about Transpower's most significant energy trilemma impact.

- Climate change mitigation and adaptation
- Customers and consumers
- Advocacy
- Good governance
- Future workforce
- Cybersecurity
- Community and Landowner relationships
- Environmental stewardship

Materiality matrix



Transpower has always been seen as instrumental in addressing each of the three arms of the energy trilemma – energy security, energy equity, and environmental sustainability. In our first three years of integrated reporting, stakeholders identified Transpower’s key impact as climate change mitigation and adaptation. From FY25 onwards, the dial has made a subtle but critical shift from environmental sustainability to energy security. According to stakeholders, the most important role Transpower can play is to enable new grid connections to increase electricity supply or meet new load, and to ensure a secure electricity supply for New Zealand. Stakeholders are concerned about the transparency of prioritisation, timeliness, regulatory constraints, and the fairness of up-front infrastructure costs.

Our second most important contribution is in reducing system emissions. This speaks to our role in facilitating an increased share of renewables and decarbonising the wider energy system by enabling new investment in renewable generation and new load to support increasing electrification.

The physical presence of our assets is our third most significant impact. This materially affects Māori, mana whenua, landowners, and communities. With major upgrades ahead, concerns include impacts on cultural values, land disturbance and disruption.

Some of Transpower’s impacts have shifted lower in the matrix of impact and concern. Our stakeholders report less overall concern about climate-related power outages, and the potential of grid assets causing harm to people and communities. This can be seen to reflect Transpower’s investment in network resilience and recovery, as well as a growth in understanding about our ongoing risk mitigation efforts.

In order to represent our material impacts clearly within the matrix, we have grouped the complete list of Transpower impact areas into eight categories. These categories are unchanged from FY2025. The complete list of material impacts and their definitions can be found on **pages 20–21**.



Our Sustainable Development Goals

Transpower is a member of the **Sustainable Business Council** and **New Zealand's Climate Leaders Coalition**. In addition to our materiality assessment, we use the World Business Council for Sustainable Development (WBCSD) guide *Sector Transformation: An SDG Roadmap for Electric Utilities* (2021) to inform how we understand and address our impacts across the following areas:

Climate and energy

- Decarbonise electricity generation in line with limiting global warming to 1.5°C
- Enhance electricity system flexibility, resilience, and efficiency

People and communities

- Ensure access to affordable, reliable, sustainable, and modern electricity services for all
- Attract and retain a diverse and inclusive workforce
- Leave no one behind in the energy transition and respect human rights

Nature

- Protect, restore, and promote sustainable use of ecosystems and drive net biodiversity gains

Circular economy

- Accelerate the transition to a circular electric utility sector

Our work also contributes directly to four of the **United Nations Sustainable Development Goals** and indirectly to a further five:

Direct impact



SDG 7

Ensure access to affordable, reliable, sustainable modern energy for all.



SDG 9

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.



SDG 13

Take urgent action to combat climate change and its impacts.



SDG 15

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat deforestation, and halt and reverse land degradation and halt biodiversity loss.

Indirect impact



SDG 5

Achieve gender equality and empower all women and girls.



SDG 6

Ensure availability and sustainable management of water and sanitation for all.



SDG 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



SDG 11

Make cities and human settlements inclusive, safe, resilient and sustainable.



SDG 12

Ensure sustainable consumption and production patterns.

Key risks

Transpower's risk management is enterprise-wide and covers strategic, operational, commercial, and financial aspects.

Transpower uses bowtie risk analysis and semi-quantitative risk assessment, enabling a comprehensive understanding of the risks faced and the control environment used to manage them. Our key risks align with the materiality issues identified, as illustrated here.

Key risks are reviewed and reassessed on a quarterly basis by management and the Audit & Risk Committee. Further information about Transpower's Risk management and a copy of the Risk Management Framework is available on [our website](#).

Our climate-related risks are presented in our [Climate Statement FY2026](#).

Key risks	Materiality issues addressed							
	Climate change mitigation and adaptation	Customers and consumers	Community and landowner relationships	Advocacy	Good governance	Environmental stewardship	Future workforce	Cyber security
Workplace injury or death at one of our sites or involving our assets		●	●		●		●	
Property damage, serious injury or death of a member of the public at one of our sites or involving our assets		●	●		●			●
Serious harm to the environment			●			●		
Significant power supply interruptions	●	●	●			●		●
Power system operations		●			●			●
Cybersecurity breach					●			●
Not being able to find the resources we need to effectively deliver our services							●	
Not having the right grid at the right place at the right time	●	●		●			●	
Financial risk		●			●			●
Supply chain risk		●			●		●	●

Material issues index

Material impact	Actions and commitments	
Customer and consumers	Power outages caused by insufficient electricity supply	- Annual security of supply assessment (SOSA) - Security of Supply Forecasting and Information Programme (SOSFIP) - Te Kanapu programme developing a Grid Blueprint of investments to 2050, see page 31 - HVDC Link Upgrade Programme, see page 26 - Industry exercises planning for emergency situations
	Enable new grid connections to increase electricity supply or to meet new load	- Major Capex Proposals and regionally planned investments, see page 27 - Te Kanapu programme developing a Grid Blueprint of investments to 2050 - Continued work to improve connection process services for customers, see page 24 - End-to-End Acceleration programme to increase efficiencies - Business capability programme to standardise and streamline project tools and processes, see page 07
	Electricity affordability	- Signatory to the Energy Transition Framework - Regional development plans aimed at maximising regional investment - Exploring non-transmission alternatives, see page 37 - Increasing efficiency of connection process for new generation and load, see page 24 - Operational Review of Transmission Pricing Methodology (TPM), see page 39 - Nau Mai Rā partnership - Te Kanapu programme identifying the lowest cost electricity pathway to growth, see page 31 - Consumer Advisory Panel insights - Procurement and supply chain management

Material impact	Actions and commitments	
Climate change mitigation and adaptation	Enabling more renewable energy generation to support decarbonisation	- Increase in MW of renewable generation connected annually, see page 24 - Continued work to improve connection process services for customers - End-to-end acceleration programme to increase efficiencies - Green Bond financing framework - Business capability programme to standardise and streamline project tools and processes
	GHG emissions from non-renewable electricity generation	- Accelerating battery energy storage solutions (BESS) - Improving data transparency for new generation investment
	Transpower's Scope 1, 2 and 3 GHG emissions	Progress against our Sustainability Strategy work programme, including work programme on transmission losses and SF₆ Gas management plan, see pages 42–43
Power outages caused by climate-related events		- Electrification, resilience and sustainability commitments included in our RCP4 work programme - Development of a Resilience Roadmap and roll-out of projects to achieve future security and resilience - Active involvement in new Emergency Management Bill to improve legislative positioning around resilience and responses - Industry exercises planning for emergency situations - Demand response and emergency preparedness framework

Material impact	Actions and commitments	
Community and landowner relationships	Injury and harm to communities due to transmission assets	- Public Safety Management System, which ensures we meet our obligations under the Health and Safety at Work Act 2015 - Ongoing promotion of a health and safety reporting culture
	Physical presence of transmission assets	- CommunityCare Fund - Biennial landowner satisfaction survey, see page 53 - Stakeholder engagement programme - Iwi partnerships - Working with landowners to minimise impact on their land, including tower-to-pole conversions
Advocacy	Innovation and technology for the electricity system	- Drone programme to improve our grid maintenance - LiDAR initiative for vegetation management - Digital Switch management programme - Digital Substation programme, see page 38 - Special protection system at Fonterra Edendale site - Biennial Engineering and Technology Excellence Awards - Exploring non-transmission alternatives, see page 37
	Regulatory changes to enable a more efficient and effective electricity system	- Continued thought leadership via research publications - Operational Review of TPM - Ongoing submissions and advocacy to shape policy and regulatory consultation, including on the Planning Bill and Natural Environment Bill, and BESS/BESS-Hybrid Market Arrangements, see our website
Environmental Stewardship	Harm to the natural and physical environment	- Sustainability Strategy, including Biodiversity Strategy and Waste Management Strategy, see page 42–43 - Contaminated Land Strategy adopted - Resource Management Act approvals regime - Grid Service contracts have a KPI for Sustainability

Material impact	Actions and commitments	
Future workforce	Workforce competency	- Grid Skills training to build competence in workers completing work on the national grid - Graduate and internship programme, see page 40 - Wonder Project: Power Challenge partnership - Commitment to training and development opportunities available for all staff - Specialist training in technical domain areas - Business capability programme to standardise and streamline HR tools and processes - AI capability and adoption programme
	Health, safety and wellbeing of employees and contractors	- Health, Safety and Wellbeing Management System which ensures we meet our obligations under the Health and Safety at Work Act 2015 - Biennial STAR awards, which celebrate those in the industry who demonstrate excellence in health and safety - Paid Parental leave package, see page 40
	Challenge of attracting and retaining talent	- Actions resulting from employee engagement survey - Promotion of our employee value proposition - Career pathways programme, see page 40
	Diversity, equity, inclusion and belonging	- Maintaining progress against our gender diversity target (40/40/20) female/male/gender diverse - Champions for Change gender balance initiatives - Communities of Transpower, representing diverse groups and interests, see page 40
Good governance	Integrated thinking undermined by short-term planning	- Continued thought leadership via research publication and regulatory submissions - Te Kanapu programme developing a Grid Blueprint to 2050
	Sustainable procurement	Business capability programme to standardise and improve contracts and purchasing
Cybersecurity	Cyber-attack rates	- Cybersecurity initiatives, including engagement with security entities and exercises dealing with cyber threats - Internal testing and staff education



Enabling delivery at pace

Making the right choices now is crucial to ensuring we have a strong, fit-for-purpose grid and electricity system for generations to come.

We are committed to clear and disciplined planning so that we can deliver with speed and efficiency when needed. This year we hit key milestones on a number of big grid upgrade and strengthening projects. We achieved record numbers for connecting customers and enabling new generation to support increased demand. The start of our five-year Regulatory Control period 4 (RCP4) initiated a significant step change of investment in the resilience of our national grid.

These are the steps that will build a foundation for sustained growth, and an energy system to support the country's needs long into the future.

Material issues

SDG7; SDG9;
SDG13

Capital issues

Manufactured capital
Intellectual capital
Human capital

Building resilience at scale

Transpower's new Rolleston warehouse was built with the big picture in mind – it will reduce lead times, lower costs, and shore up resilience.

With Transpower's existing warehouse in Addington reaching end-of-life condition, it was crucial that a new facility would support growing demand in grid investment.

One thing that distinguishes Transpower's work is sheer scale. We transport electricity at bulk voltages, and the assets that enable us to do so also have a sizeable footprint. Sufficient scale was top of mind in the planning, commissioning and build of our new \$32 million warehouse in Rolleston, Canterbury. The new warehouse is 8,000 square metres and situated on 30,000 square metres of land. It doubles the temperature-controlled storage capacity of our existing facility at Addington.

Enlarging the facility readies us for growing investment demand. It also unlocks key synergies and ensures safety. Moving large pieces of heavy equipment brings risk. It is vital for our workers that we plan for and incorporate sufficient space for safe manoeuvre. Building at scale also brings greater regional resilience and more procurement flexibility. The new warehouse allows us to store a greater number of key spares – equipment and parts necessary for maintaining the grid, and for repairing our assets in the case of natural disaster or extreme weather. Buying at scale gives us stronger purchase power, which unlocks lower prices. It also helps us to purchase more strategically to mitigate longer lead times and get ahead of supply chain risks.

Increased storage capacity is also helping us to collaborate. We can work alongside our customers to support their purchase and storage of equipment. The warehouse enables the storage of highly modular componentry – ready for deployment when the time is right for our customers. In this way we're increasing assurance and security for investment and planning across the sector.

The Rolleston warehouse is also a great example of drawing on and supporting regional expertise. We went to Calder Stewart to investigate the property options that were right for this build. The South Island developer has a direct line into hard-won local expertise in building for climate and disaster resilience and readiness. They assisted us in securing a spot that would optimise transport and access through proximity to rail, motorway and harbour, as well as other logistics organisations. We are a critical lifeline utility and the Warehouse is built to IL4 – the same category used for hospitals and other lifeline buildings. As we move towards a more electrified economy, the Rolleston warehouse is a tangible example of how we are investing for the future, to support smarter and faster work.



A record year for connecting customers and generation

Aotearoa New Zealand is accelerating at pace towards an electrified economy. It is Transpower's role to support and enable this growth.

The more efficiently we connect new generation customers to the grid, the quicker New Zealand can produce and transmit more electricity. Over the past financial year, Transpower completed 669 MW of new generation grid connections and/or generation assets commissioned onto the power system. This includes 11 solar farms, 3 geothermal plants, and 1 wind farm. The figure also includes batteries and capacity upgrades. This is a record for us.

- 669 MW is roughly enough to power around 211,000 households
- In just one year, this is a 6% increase on New Zealand's total installed generation and battery capacity to date (though intermittent generation types mean total energy output is lower).

The sector is calling for speed, and we are responding. Each year we focus on becoming faster and more efficient at each stage of our connections process. We have had specialised teams for customer projects in place for over a year now. This measure, along with steady gains from our increasing use of standardised designs, as for example in our **digital substation work**, is clearly resulting in shortened timelines.

Increasingly the story is one of collaborating with customers, and adapting as needed. Our partners bring different strengths and capabilities to each project. Recognising and taking advantage of this will help us to move together with efficiency and speed.

TOPP2 Geothermal Project – One of our quickest customer connections to date was collaboratively developed with Eastland Generation and local iwi Tūwharetoa mai Kawerau ki te Tai. The project delivered new baseload geothermal generation to strengthen New Zealand's security of supply, and we efficiently enabled this connection by reusing assets from our decommissioned Kawerau substation.

Tauhei Solar Farm – A project developed and delivered by Harmony Energy and First Renewables is set to become Aotearoa's largest solar farm. We expanded our 110 kV switchyard, constructed a new bay and gantry and installed additional high voltage equipment at our Waihou substation to connect this project to our network.

Kaiwera substation – A new substation was commissioned in April to connect the second stage of Mercury NZ's huge Kaiwera Downs wind farm to the power system. Once Mercury's Stage Two has been integrated, the wind farm will lift installed capacity at the site from 43 MW to 198 MW, adding enough additional electricity to power around 73,000 homes per year.



Keeping the pipeline moving

As of 30 June 2026, we have 17 new generation and storage projects in our delivery phase, which if commissioned will collectively add 3,342 MW to Aotearoa New Zealand's electricity supply. Of these projects 15 are solar, with a combined 2,382 MW capacity. Detailed design is also underway for connections to 8 battery energy storage systems (BESS) projects with a combined 809 MW capacity, and geothermal and wind generation make up a combined 191 MW.

We are always looking for opportunities for improvement and places where we can streamline our efforts. A focus this year has been easing congestion in the investigations phase of our connection pipeline. To address this, we have added a step prior to investigation: the Solution Proposal. In this part of the process, we work closely with each customer to agree on the single best connection solution that will go forward into the investigation stage. This collaborative approach is working. Projects are progressing more efficiently through the whole connection process.

We have also added an additional workstream to the connection process: operational data integration. This ensures that there is cohesion and visibility between the new grid connection and our System Operator. This means that, even as we speed up, new connections are able to quickly and clearly integrate into our grid and market systems.

We continue to focus on our communication with customers. A dedicated Relationship Manager works with each customer team to ensure consistency and clarity through the complex process of connecting and commissioning. Our two main channels for news and updates are our bi-monthly customer webinars and our monthly *News from Transpower* newsletter. We continue to improve the detail these provide – recently

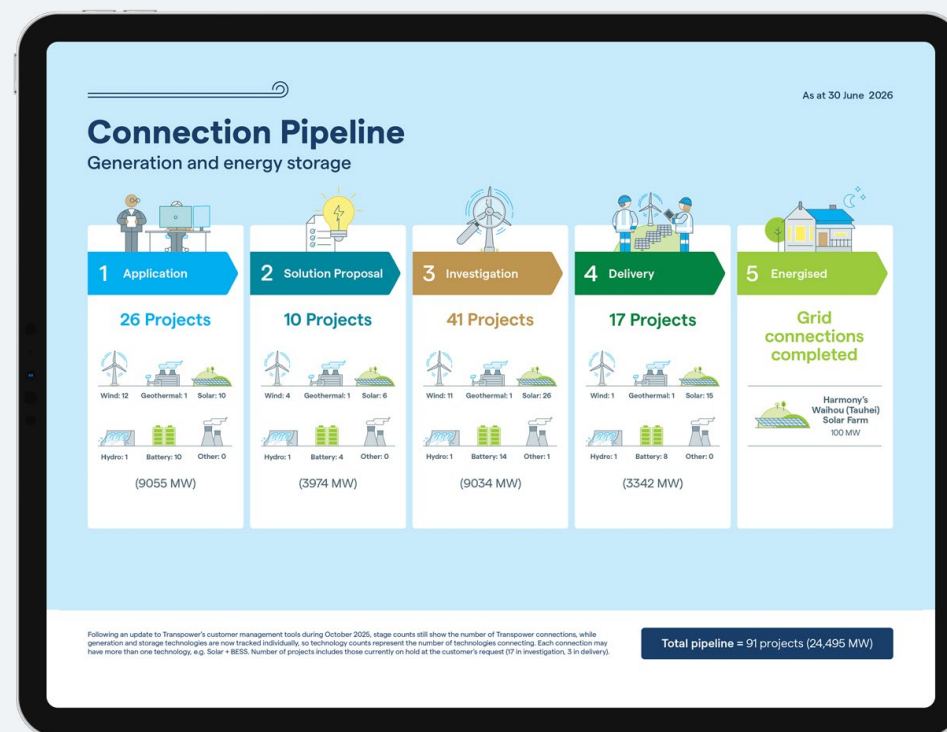
adding more granular monthly data on both our generation and non-generation pipeline projects. Webinars, in particular, are a strong two-way channel. They provide an active forum to tackle customer-identified challenges and questions, including consenting, Power Purchase Agreements (PPA), and how connection queues are managed.

Our Customer team also supports the sector with thought leadership and proactive research. Over the past financial year, we've launched the following publications and initiatives:

- Consultation on connecting load and other non-generation connections (May 2026)
- Transpower's Guidelines for New Connections – an updated document providing additional guidance on the connections process and more clarity on standardised connection options (August 2025)
- New customer investment data portal – improving the visibility of generation investment for Aotearoa. (October 2025)

Upping the pace of commissioning

Our commissioning team runs the final step of the process. After new projects have been built and connected to the grid, we still need to test and prepare this connection for living. This work ensures new capacity integrates safely with the broader grid and power system. Our commissioning process is maturing and gaining speed. Over the last 12 months we commissioned a record 669 MW of new generation, batteries and capacity upgrades. This figure includes energy resources on local distribution networks. (It does not include completed connection projects that have not yet completed commissioning.)



A critical asset – upgrading the Cook Strait link

At Transpower, long lead times, complex planning and tricky procurement are business as usual. But renewing the three High Voltage Direct Current (HVDC) cables across Cook Strait is a contender for our most complex planning project to date.

The HVDC link is a nationally critical asset that keeps the power flowing between our two islands. It is not only vital for maintaining reliability, it is a strategic enabler for renewable generation, and helps to make sure consumers can access the lowest-cost electricity.

The current HVDC cables were installed in 1991. The life of these assets is about 40 years, so the once-in-a-generation replacement has been firmly in our sights. But many things have changed since the 90s. One significant area is our asset health approach. In the past, we have relied heavily on the manufacturer's best, and often conservative, estimate of an asset's lifespan. However, with innovations developed over the last few years, our asset-health modelling can now provide a far more precise estimate of the real-time usable life of our assets. Our modelling takes into account our assets' specific use, condition and location. For an island nation in the Roaring Forties, with high climatic variability, this is a meaningful cost-saving measure.

It's tricky enough getting eyes (or drone cameras) on the high-voltage conductor

at the top of our transmission towers, but conducting a health check on our undersea cables adds challenge of a different order. Data on the cables was obtained via remotely operated underwater vehicles and highly trained divers. Environmental conditions have further impact on cable condition, so specific information about seabed and currents was also fed into the asset health model. A final key data input: the consequences of asset failure. The clear conclusion: our country simply can't afford for this piece of kit to fail.

Another area of significant change since the 90s is the market for submarine transmission cables. At the start of procurement, there were only three global producers who could supply and install our required HVDC cable.

The global growth in renewables has further tightened the market – more offshore wind farms means higher demand for undersea transmission cables.

Our market position increased the challenge. The HVDC upgrade project is complex, relatively small in a global context, and geographically remote. We needed to plan ahead of our regulatory process timeline in order to secure our spot in the manufacturing queue, or risk the failure of this critical asset. The precise data gained from our asset health model was key to successful procurement. By letting us accurately pinpoint the optimal replacement window it allowed our team to move with added confidence. We issued a competitive RFP with highly detailed

specifications and commercial mechanisms – and were able to secure our slot with supplier and installer.

By planning for other asset upgrades around the HVDC replacement, we aim to minimise the number and length of outages required, and keep the electricity system and market running as smoothly as possible. We're talking with communities in Mākara and Picton/Port Underwood about the work that is coming. Installation of the new HVDC submarine cables is scheduled for 2031. This is a story of deft and decisive planning behind the scenes so we can safeguard the smooth and lowest-cost future running of the national electricity system.



Strengthening our grid for growth

In our role we always need to keep the big picture in mind. This means a zoomed-out perspective on the electricity grid that runs through our islands.

It also means a long view of our country's growing and changing electricity demands. In addition to the bread-and-butter work of maintaining our grid assets, we also need to make timely investments to enhance, replace or develop our existing grid. This is vital to ensure it is ready for New Zealand's electric future. Grid investments include both smaller 'listed' projects that are budgeted into our five-year regulatory funding, and our Major Capital Proposals (MCPs) – larger projects with budgets that exceed \$30 million and require Commerce Commission approval.

Keeping our grid reliable and future fit

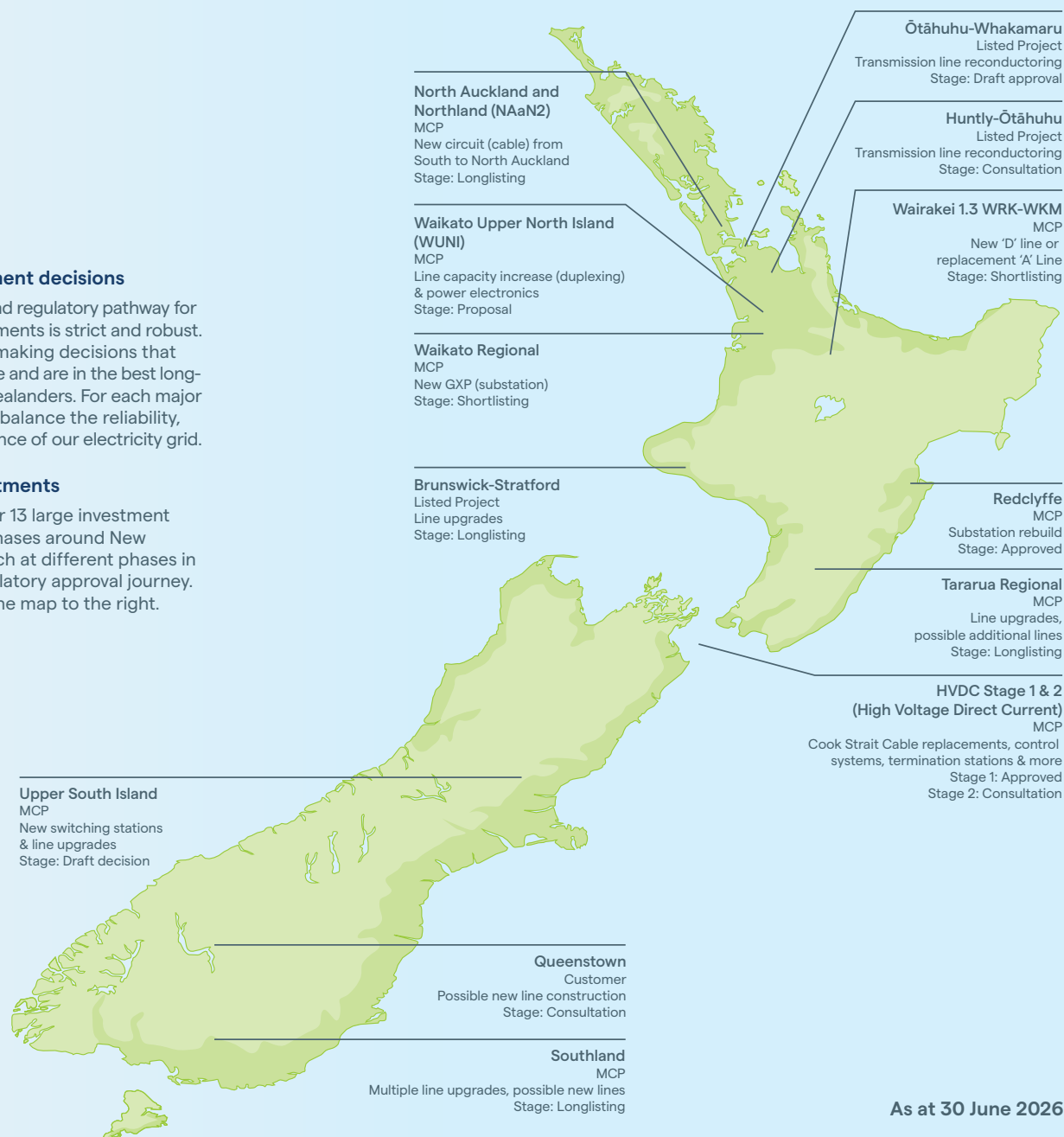
Our big grid investments typically address shifts to electricity demand as a result of population growth and regional development, including industry seeking to electrify. Alternatively, they address increases in generation from developers harnessing our natural resources. Our investments look to the future to ensure power will be available for homes, businesses and industry where and when it's needed. They also work to support our existing grid by increasing capacity, easing constraints and adding resilience to our infrastructure – thereby making sure we can get the most out of the assets we manage on behalf of New Zealand.

Transparent investment decisions

The decision-making and regulatory pathway for each of our grid investments is strict and robust. It is important we are making decisions that deliver the highest value and are in the best long-term interest of New Zealanders. For each major investment, we aim to balance the reliability, affordability, and resilience of our electricity grid.

Proposed grid investments

We currently have over 13 large investment projects in planning phases around New Zealand. These are each at different phases in their internal and regulatory approval journey. You can see these in the map to the right.



As at 30 June 2026

An innovative approach for Tararua

Transpower's position in the sector enables us to take a leadership and coordination role. We are increasingly mindful of this in the regional planning approach we take for our grid investment. By being proactive and sending clear early messages of our thinking and view of the opportunities in the area, we can encourage collaborative solutions that support the specific strengths and needs of each region. We also ensure transparency with our regulator, the Commerce Commission.

If Transpower takes the lead in coordinating the way in which multiple generation developments connect, it could reduce the amount of transmission infrastructure ultimately required and lower overall costs, compared to what would happen with connections progressing in a piecemeal way.

Felicity Wolfe, *Energy News*
May 13, 2026

This approach informed our longlist consultation for an MCP in Tararua-Wairarapa. Through discussion with developers, and knowledge of the projects already visible in our generation connection pipeline, we had a strong view of the significant renewable generation potential in the region. We also understood that other generators had projects in earlier development that were not necessarily committed. Our MCP longlist actively canvassed investors and developers to gain shared views on how an anticipatory transmission investment could best inspire developer confidence and unlock this potential.

Asking for signals in this way requires trust and transparency. In the past we have treated all submissions as public information. For this consultation we protected market-sensitive detail in order to encourage a frank and cooperative process. Insights from close discussion with local communities, mana whenua and councils also inform our planning for developing infrastructure. This is all part of the big picture, and ensures we are making the right decisions to unlock regional economic opportunities, drive New Zealand's electrification journey, and support more affordable electricity prices.



A clear forward view for our System Operator

The power system is evolving rapidly, and Transpower as System Operator is evolving to meet it.

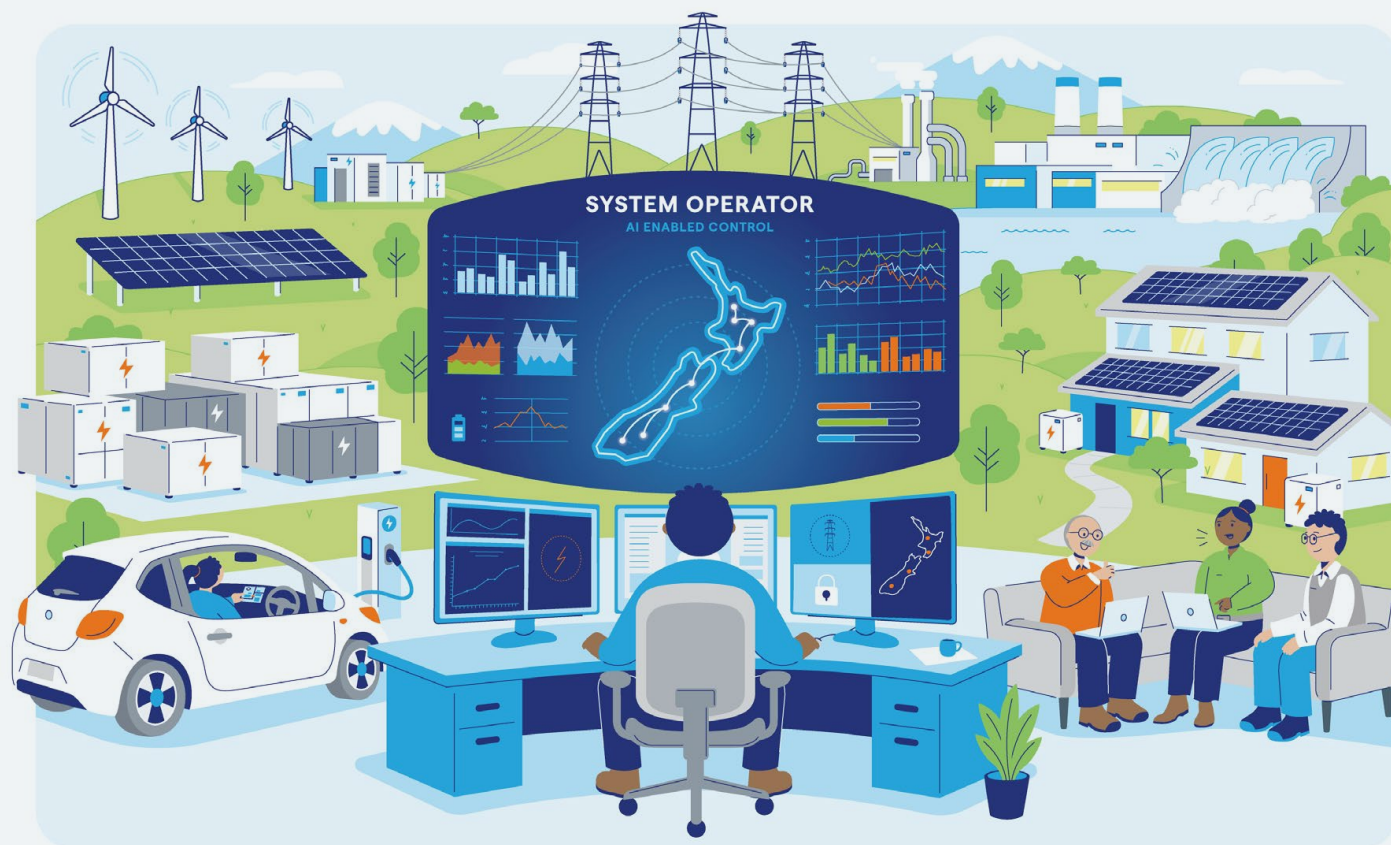
The System Operator plays a vital role in Aotearoa New Zealand's power system, working behind the scenes to maintain power system security and to operate the wholesale electricity market in real time. It provides security-of-supply information, manages supply emergencies and ensures the system remains stable 24/7, 365 days a year. New Zealand's highly renewable energy system, coupled with the rapid growth of inverter-based resources such as solar generation and battery storage is increasing the variability and complexity for the System Operator. Combined with the emergence of new and often very large loads, this requires an ongoing focus on maintaining system security and reliability. We need to ensure our data, systems and other capabilities are ahead of the game, so that New Zealand has the vibrant stable electricity system it needs to support a thriving low-carbon economy.

The System Operator is broadening its planning horizon to ensure it is ready for this period of dynamic change. Previously the System Operator has published an annual strategic plan. In 2025 it instead proposed the development of a System Operator Strategy (SO Strategy) that would take a 10-year forward view. This would provide a clear direction for the System Operator evolution needed, and guide investment for the next three-year funding period. The development of the SO Strategy is being informed by two rounds of industry engagement. In the first phase, we invited feedback on an environmental scan of the sector that aimed to accurately capture the

relevant factors, trends and drivers facing the electricity system into the future. Building on this, we were able to identify and prioritise key issues and opportunities the System Operator would likely face. This context has allowed us to draft a set of strategic priorities that we think will help us best support the future needs of the system.

The function of the System Operator and Grid Owner are distinct, but both have their sights set on the future. **Te Kanapu** focuses on the necessary evolution of the transmission grid to meet our needs to 2050 and beyond; the **SO Strategy** is focused on ensuring a secure and robust power system to meet the rapid change that is coming. This planning work is

complementary and emerges from the same strategic context. Together they are two sides of the work Transpower is doing to support an electrified future. You can see how this strategic planning is informing how we adapt our operation practices in the **Control rooms of the future** story.





Growing our energy future together

To ensure the path to electrification is swift, economical and equitable, we will need strong partnership and collaboration across the sector, and across the country.

We are committed to clarity, transparency and robust consultation as we work with our sector stakeholders. We bring the same values to the relationships we hold with local communities and landowners impacted by the work we do to maintain and strengthen the grid.

By sharing our knowledge, and by actively drawing on both global and local expertise, we aim to drive the conversation about electrifying Aotearoa New Zealand, and to support the best possible outcome for our energy future.

Material issues

SDG7; SDG9

Capital issues

Manufactured capital
Human capital
Natural capital
Social capital
Intellectual capital
Financial capital

Te Kanapu – our Future Grid Blueprint

Te Kanapu is Transpower's work to ensure our national grid evolves to enable a growing and thriving economy, while endeavouring to meet net zero by 2050. The way Aotearoa New Zealand uses electricity is changing. What we need is a 'Goldilocks Grid' – not too big or small, but just right for our future needs. This is our work to understand what 'just right' will look like in 2050.

Te Kanapu reframes and sharpens Transpower's ongoing discussion about New Zealand's energy future. Our **Te Mauri Hiko** (2018) work broke ground in outlining New Zealand's opportunity to electrify, and in 2020 our paper **Whakamana i te Mauri Hiko** explored the key industry settings needed to put this into action. Our Te Kanapu programme has as its goal a practical and proactive grid blueprint for the specific work that will enable and support a growing electrified economy.

It takes 7 to 10 years to build new transmission lines, so this work is helping us to plan with confidence for long-term growth. Drawing on broad consultation, and advice about New Zealand's likely economic pathways we have built five scenarios that lay out potential futures for Aotearoa in 2050. Each scenario considers and maps the factors that could shape our electricity use – shifting political landscapes in New Zealand and overseas, our economic performance, our appetite for electrification, and changes in how and where

electricity is generated and used. No one can predict the future, of course, but these scenarios allow us to track likely common trends, and to test our plans and forecasts against a wide range of uncertainties.

Our future Grid Blueprint work will identify the first set of low regrets investments that are valid across the five scenarios. These are indicative projects that will be needed in the late 2030s and early 2040s to enable growth to 2050 and beyond. Transmission will play an important role in enabling growth, allowing us to harness the diverse range of natural resources and generation technologies that will let us meet the energy trilemma.

The quickest, most affordable path to electrification calls for collaboration across the sector and country. This will mean transmission and distribution networks working closely together. It will mean building trust and certainty for those who are looking to invest, as well as with the communities who are consuming electricity around New Zealand. Our Te Kanapu work reflects this 'all in it together' attitude, and is our most collaborative research approach to date. Over the past financial year our engagement programme has been in touch directly with electricity consumers through our Consumer Advisory Panel. We've reached out to other consumer forums with support from Consumer NZ, and we've recruited and engaged with consumers and business reference groups in Auckland, Rotorua and Christchurch. Together, this has amounted to more than 100 meetings with stakeholders, including workshops, webinars and conference engagements. We have completed three rounds of consultation on our scenarios. Across these rounds, we've received more than 300 submissions.

Consultation responses have helped us to refine our scenarios and modelling. The more we are able to draw on this broad evidence base, the closer we get to an understanding of the bigger picture – and our place in it. We have been heartened by the feedback on our scenarios from individuals, businesses, and sector participants, and by a strong sense of shared ambition in electrification to support New Zealand's growth.

In the coming financial year we will release the first Te Kanapu draft Grid Blueprint. This will summarise our findings and inform our understanding of any regulatory changes that will best support delivery. It will also provide more certainty about Transpower's plans so that others can invest in the future with confidence.



One giant leap for electrification

Moving at pace is a key theme of this year's report. Electrification is an accelerant for our economy and our role is to support and enable this momentum.

We are seeing an impressive programme of new renewable energy generation connection projects moving toward delivery, see [page 24](#). These are part of a much bigger picture. We also need to move swiftly on the demand side to connect new load customers and support industry to electrify.

Fonterra is one of many New Zealand businesses on a journey to electrify their processes. In last year's report we **highlighted our work** with the New Zealand farmer-owned dairy cooperative to support installation of their first 20 MW electrode boiler at Edendale. This year, we are celebrating another first – Transpower's deployment of the first digital substation at Ohangai. Drawing on this speedy solution unlocked a timeline that might otherwise have been unattainable.

Transpower's work on the Ohangai substation was driven by Fonterra's need to partially transition from gas boilers to electricity at their Whareroa site. Fonterra identified that their best option for partial electrification would rely on the installation of two new 34 MW electrode boilers. But transporting the required electricity capacity to the site was a problem that needed a collaborative answer.

In February 2025, Transpower and Fonterra sat down to tackle it. A preferred solution quickly emerged. By building a new substation at Ohangai – to interconnect Manawa Energy's 110 kV lines from the Pātea Hydro scheme, and the existing Hāwera substation – it would be possible to supply enough electricity for the new boilers. This answer would have the added benefit of supporting security of supply in the region by enabling the delivery of extra electricity through Hāwera substation, thus strengthening the grid for South Taranaki.

The project timeline was ambitious. Work kicked off in February with a joint scoping and planning 'sprint'. By early May 2025, a business case was approved. It had a project delivery date of June 2026, but was in fact more notable for what it did not include. At the time, the project had no confirmed location, no property agreement, no agreement to purchase Manawa's existing line, and no ordered equipment.

Within a year, Transpower and Fonterra had addressed these challenges. A site was located and consents obtained. Land was purchased and easements secured. Earthworks were completed, and a transformer had been transported from Auckland to New Plymouth (by ship – being too heavy for bridges on the road route from Auckland). Ten kilometres of fibre cables had been installed and the team had engaged with stakeholders, including neighbours and local land owners. Most significant of all – the project team had designed and installed New Zealand's first digital substation.

The importance of the digital substation in this project is twofold. Its first key impact was as timeline enabler. The second and more significant impact is what it represents as a real-world proof of concept for the sector. The technology to enable digital substations has been in place for a while, but there have been deterrents to adoption: the first mover

typically shoulders higher investment and risk. By taking the initial step, the work at Ohangai will unlock speed and efficiency gains for the whole sector, and smooth the way for future electrification projects. From here on in, the substation future looks digital, see [page 38](#).



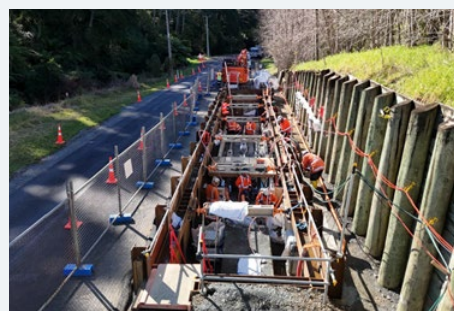
Complexity beneath the surface in Auckland

Together, Northland and Auckland use about 29% of Aotearoa New Zealand's electricity. Ensuring a secure and reliable supply of power on the transmission circuits that feed these regions is vital.

When two cable joints failed along the underground cable between Brownhill and Pakuranga substations in 2020 and 2021, Transpower moved urgently to investigate. Remediation options for the unexpected equipment failures were explored. However, the possibility that further joints might suffer similar failure presented too great a risk to the region's power. Transpower kicked off a complex two-year project to replace the remaining cable joints – 45 to be exact, at 15 locations along the 10.5km circuit.

This cable joint repair project is a great illustration of the technical complexity of the grid maintenance work required to keep the power flowing for New Zealand – both above and below the surface. In this particular section of our transmission line, the cables run beneath roads, council reserves and private properties. They occupy the shared domains of the Eastern Busway and NZTA, and run below spaces relied upon by road users and residents. We needed to work quickly and communicate clearly to keep disruptions to a minimum.

And what lay beneath? To repair each of the cable joints, we needed to excavate a 'joint bay' roughly the size of two city buses placed end-to-end. Each joint bay was retained, drained and waterproofed. A general principle



is that the higher the voltage, the increased complexity of the joint. For these 220 kV joint replacements we utilised a team of highly experienced, specialised technicians from overseas. This was intricate, precise work – carefully stripping cable layers, fitting and installing new components – all in a very constrained space. Each joint bay took four to six months' work.

Keeping the information flowing above and below was crucial. We communicated early with those affected, to ensure they could plan around our work. Our Service Provider Northpower coordinated the complex civil work on the ground, and led the way with a knowledge-sharing approach between lead



contractors and subcontractors. We carefully sequenced the jointing work along the line so we could stay a step ahead and use our technicians' time as efficiently and cost-effectively as possible.

Having eyes above and below ground level helped. On-site cameras at the joint bays supported workflow coordination and kept security costs down. It also helped us keep a weather eye out – quite literally. We used drones to obtain accurate road measurements, which helped to improve our traffic management design and modelling, particularly useful for our rural neighbours who needed to navigate our roadworks with horse trailers and tractors.

We're proud to have delivered the cable jointing project ahead of time in June 2026, clocking up 77,238 person hours in the process, and delivering the project under budget. The 10.5km of cable is restored – quietly working below the surface to shore up and secure Auckland and Northland's current and future electricity supply.

Collaborating for growth in Queenstown

Queenstown presents a unique opportunity in Aotearoa New Zealand's electrification journey: an area of incredible natural beauty; a surge in population growth driving electricity use; and clear local appetite for low-emissions leadership.

Queenstown has its sights set on becoming 'the most electrified destination on earth'. It's a worthy challenge, and one that our electricity system will be ready to handle.

Our role in the region is to make sure we enable the steady supply of secure and reliable electricity that will meet predicted growth, while also supporting the region's aspirations for an innovative low-carbon future. Queenstown has become a valuable test case for how consumers, electricity distributors, and system and transmission planners can work together to find the right path.

In 2023, Transpower began working with the Queenstown Lakes District Council and local lines companies PowerNet and Aurora Energy to share research, analysis and insight into how electricity demand would grow in the region. The result was the Energising Queenstown programme. It became clear that, to support regional growth, a new transmission line would be needed at some point. However, with Queenstown quickly emerging as a centre for energy innovation, there are a large number of groups testing and advocating for novel solutions for Queenstown's energy future.

Through this collaboration, Aurora Energy and PowerNet are exploring opportunities to potentially postpone upgrades to the grid by integrating more rooftop solar, batteries and smart technology into the region.

The way ahead is looking bright for Queenstown's innovative electrification path. Because grid infrastructure takes a long time to plan and build, we are already thinking ahead to the future work which

may be needed in the 2030s. We consulted on what people think the best solution for this will be. In January 2026 we announced the preferred option to meet Queenstown's long-term electricity needs after other local solutions have been tapped into – a new 110 kV electricity line from Cromwell. This new transmission line would have the capacity to power 26,000 more homes plus 700 small-to-medium businesses and 150 larger

commercial enterprises. No final route has been confirmed, and there will be further opportunities for communities, businesses, and individuals to share ideas and collaborate. Keep an eye on the **Energising Queenstown** website for updates on our work to support the region's growth and steer towards a thriving Queenstown that is leading the way in smart, flexible electrification.



Win-win at Lake Karāpiro

Ongoing maintenance of four Transpower electricity transmission towers in the middle of Lake Karāpiro is not just good for the reliability of electricity supply in the Waikato – it is also benefitting the watersports community in Cambridge and surrounding areas.

The four towers in Lake Karāpiro carry electricity transmission lines that connect Waikato electricity users and local generators to the national grid. They are an important part

of the grid and require periodic maintenance to ensure we can continue to provide a reliable electricity supply to New Zealanders.

Gaining access to the towers to perform necessary maintenance work – removing corrosion from the steel and painting the towers – had proven a real challenge for our Service Provider SRG Global. But with 30 years' experience working on New Zealand's transmission grid, they knew the problem could be solved by thinking creatively and looking locally. They identified local race-infrastructure provider Karāpiro Rowing Inc (KRI) as the perfect partner to get the job done.

The SRG Global crew worked with KRI Facilities Manager Dennis Howard to develop an overall solution for access, using KRI's regatta

pontoons. Dennis and his team worked to adapt the pontoons and set them up around each of the towers, ensuring they would stably hold their new cargo: one tonne of water, four blasting pumps, materials and six men. KRI also provided multiple boats to transport equipment and maintenance crews to site each day. This enabled SRG Global's crews to safely access the transmission towers and undertake the essential water blasting and painting work.

At a time of year when there were no major regattas planned, KRI's pontoons made a perfect platform for crews to safely work on the transmission structures. Without SRG's solution and KRI's involvement, Transpower would have needed to transport a large barge down from Auckland. The pontoons were a much cheaper

and more convenient alternative. The solution also meant that Dennis and the KRI team could invest the money earned from the work straight back into the plant and infrastructure they use on the lake. As Dennis put it: "A great arrangement for all concerned."

KRI is a not-for-profit incorporated society that has organised events for Rowing, Waka Ama, Canoe Racing, Dragon Boating and others on Lake Karāpiro for more than 30 years. Dennis and his wife Carol are the only full-time employees and rely on some casual staff as well as their amazing group of volunteers to help run the facility. It's great to know the money we are investing in ensuring the reliability of our transmission grid is also assisting the local sporting community.





A secure and affordable transition

Transpower is committed to supporting a secure energy transition that will deliver clear cost efficiency for all New Zealand consumers.

Part of this work is recognising that more infrastructure is not the only answer. We need to utilise smart technology to ensure we have a flexible grid that makes better use of our existing assets. We need to ensure our work can be scaled up quickly and efficiently.

We need fair and predictable pricing in place to ensure costs are shared with clarity and fairness across our customers. And we need to modernise the technology, tools, processes and capabilities we have in place to operate our electricity system.

Material issues

SDG5; SDG7;
SDG9; SDG12;
SDG15

Capital issues

Human capital
Natural capital
Social capital
Intellectual capital
Financial capital

Building in flexibility from the start

We have a major programme of projects to expand and strengthen the grid, connect new renewable generation, support electrification and enable economic growth across Aotearoa New Zealand.

You can read more about this targeted ongoing work on [page 27](#). However, achieving a fully electrified economy is a complex and collaborative process, and transmission infrastructure is just one piece of a larger puzzle. To meet the 80% increase in electricity demand in New Zealand by 2050, and to keep costs as low as possible for all New Zealanders, we are going to need all the tools and technology available. This means innovative solutions that enable us to use, store, or manage our existing electricity capacity. It includes demand-side response strategies that can shift electricity demand away from busy 'peak' times to quieter ones. It will draw on battery systems, electric vehicles, energy resources at the local level (such as rooftop solar) and other developing technologies that can support the grid during times of greatest need. We refer to these transmission alternatives as non-transmission solutions or NTS.

In the past, when considering investment options for major infrastructure upgrades, we have sought third-party NTS proposals as part of our investigations process. Historically, this approach has had limited success, and our options analysis has not led us to put any forward to the Commerce Commission for approval. NTS bids have not gone forward for a range of reasons, including a lack of available

resources, cost, and lack of confidence in the solution's ability to guarantee secure supply. However, we are making a significant change in how we plan for and support NTS. We are now looking for ways to earmark funds for NTS as part of broader project investment. For each major capital project (MCP) we undertake, we determine the value of deferring that capital investment for a period of time. By enabling a reduction of how much electricity we need to carry at heavy-use times, we can increase utilisation of existing infrastructure, thus reducing or delaying the need for additional investment, and ensuring that any required capital investment is delivered only when it is needed. This also means spreading the net broadly for collaboration and information sharing with electricity distribution businesses, innovators, and flex customers, providers, and industry groups.

Over the past financial year, we have gained traction with this approach. Our investment proposal for the upper South Island (draft approved in December 2025) seeks \$7 million for NTS development allowance. \$2.5 million was earmarked the previous year for our western Bay of Plenty MCP work. We are now taking this NTS approach beyond our MCP projects and seeing how we can apply the same process in other routine grid maintenance projects.

As regulatory support for this method becomes more embedded, we look forward to the addition of a growing number of solutions that will support a smart, flexible, resilient and hardworking grid.



Going digital, delivering faster

The demand for electricity in Aotearoa New Zealand is accelerating, and with it the demand for new substations. In order to connect all the projects in our customer pipeline Transpower will need to build 24 new substations by 2030. By enabling faster design, testing and commissioning, digital substations will be critical in meeting this challenge.

Our Transpower team has been hard at work in the lab since 2022 to design and develop a working digital substation prototype that will enable us to deliver more efficiently.

What is a digital substation?

Electricity signals (which carry the precise information of voltage, current, etc) are analogue – as are most physical phenomena. Our first substations were the same. In the pre-digital days, when a fault was detected by a current transformer, this analogue signal was transferred to a relay by copper cables that tripped the circuit. Afterward an operator would analyse the fault and manually restore the circuit. Computers have since become part of daily life, and our substations have changed radically. Outdoor switchyards receive analogue signals and these run via copper cable into our substation control rooms, where they are converted into a digital format in the new digital relays (a process called analogue-to-digital conversion or ADC). Our controllers can manage most faults and trips online remotely.

But there's an even quicker, more efficient solution. If you move ADC closer to the primary equipment – moving it from *inside* the substation to an outdoor junction box in the switchyard in our case – and transmit data over fibre-optic cable using digital communication standards – a digital substation is created. The shift does away with significant amounts of expensive copper cable. It makes for fewer

and more compact protection relays (and tidier cabinets) – freeing up considerable space inside our control rooms. Most importantly it decouples the outdoor primary equipment works from the indoor secondary equipment. This means we can design, build, test and commission more of the station in parallel, increasing project delivery options and resource availability, allowing us to deliver faster.

TransGO is the digital communications backbone that allows Transpower to monitor, control and protect grid assets and operate New Zealand's wholesale electricity market. FY26 marked the start of the delivery phase for Transpower's TransGO Refresh Programme, establishing a new Spark/Nokia technology platform, with support from our system integrator Spark and primary vendor Nokia, to future-proof the network. Digitised substations, more renewable generation, increased electrification and higher network traffic will shape the grid of the future. TransGO will be ready to meet this with enhanced network capacity and capability, improved resilience, and stronger cybersecurity measures.



Small is beautiful

Size matters in our work, and we are used to considering the big picture. Our digital substation project reveals the gains of scaling down. With ADC happening out in the switchyard, we can build smaller control rooms, in smaller, transportable buildings. We can use modular templated designs and kits for our panels. These are cheaper to stock, ship, and put together. The use of more standardised and software-driven configurations also improves the automation and protection of each substation, meaning

much can be tested and automated remotely and offline before commissioning. There are further gains – digital substations can reduce carbon footprint, and improve safety for our workforce. Our first digital substation was commissioned at Ohangai in June this year, see [page 32](#). Our next challenge will be upgrading our 175 existing traditional substations to the new digital configuration. Going digital is a watershed moment for Transpower and for the sector – smoothing the way for speed and savings as we connect up our electric future.

A health check on how we charge our customers

The transmission pricing methodology (TPM) is the framework that determines how the annual costs of running and investing in the national grid are shared by our transmission customers (lines companies, generators and directly connected industrial electricity users).

The TPM is set by the Electricity Authority (the Authority) – one of our two regulators. Our current TPM was introduced in 2023. Since the Authority introduced the new TPM, we have been listening to feedback from our customers and stakeholders about how it could work better, particularly around reducing uncertainty, volatility and complexity.

While the Authority is responsible for TPM policy, and Transpower cannot make changes – we can recommend and submit proposals to the Authority for consideration. In November 2025 Transpower announced that we were kicking off a TPM Operational Review. The goal of the review is to improve the operation of the TPM, and to address potential issues and themes that we have heard in stakeholder feedback. We want to make sure the TPM framework is doing what it set out to do, and that customers can understand and manage their transmission charges. Recommending opportunities to reduce uncertainty is intended to better support the long-term planning needs of our customers.

The TPM Operational Review is a health check not an overhaul, but we see it as vital to ensuring stable and efficient pricing. We are looking at possible refinement of price adjustment mechanisms – or the way swings in transmission pricing are managed so that costs remain predictable over time. We are looking at how we calculate benefit-based charges – which allocate costs to those who benefit from our connection investments. And we are exploring whether the TPM discount provisions are appropriate for evolving electrification scenarios. These include the way we offset First Mover Disadvantage (the higher costs borne by

first investors in a new grid exit point (GXP)) and how we calculate Prudent Discounts (the cost reduction offered to retain big energy users when this makes better economic sense for all).

We have set up an industry working group from our broad customer base. This team of 12 is providing expert insight and continuity as we test and analyse these key elements of the TPM. They will help us validate our analysis of the issues stakeholders are experiencing with the current TPM and its implementation, and their feedback will inform any potential changes to the TPM we may propose for consideration by the Authority.

Ensuring we have the correct settings for customer pricing is a key part of encouraging the customer investment that's needed to enable a thriving zero-carbon economy.

While the immediate impact of this piece of work will be felt chiefly by our customers, the TPM is very much part of the bigger picture for New Zealand's electricity consumers. It is vital that we have stable, robust and efficient transmission pricing, so that our work delivers New Zealanders a reliable electricity supply at the best value for money.



A sustained and supported workforce

Transpower is a value-driven organisation. As kaitiaki of our national grid, it's our role to enable the electrification that will support the economic and environmental wellbeing of future generations of New Zealanders.

A future focus is embedded in our culture. To power Aotearoa New Zealand's electrification journey we need a significant uplift in a diverse range of talent. It's crucial that we attract and retain great people, and that we target demographics who have historically been underrepresented in the sector. We tackle this in a range of ways. Our early-career workforce pipeline is supported via our Summer Internship Programme, Graduate Programme, Associate Early Careers Programme and a number of formal progression pathways in our technical disciplines.



We go beyond our current work environment too, to inspire young minds via the **Wonder Project: Power Challenge**, a programme that engages students in Year 7 and 8 on the science behind electricity generation, transmission and use and the rewards of Science, Technology, Engineering and Maths (STEM)-related careers.

We support inclusivity and belonging for our employees through our 11 Communities of Transpower. Communities such as PowerParents, Te Marama (Women in Transpower), Rainbow Network, Filipino, Neurodiversity, Whanaungatanga, Yo-Pros, and Muslim Community, to name a few. We also celebrate Women in Engineering, the Wellington Pride Parade, Diwali, Matariki, and Eid al-Fitr through our together@transpower programme.

Future workforce support in FY26

- 410 classes and 11,000+ students across the country accessed our Wonder Project: Power Challenge
- 32 Summer Interns boosted their STEM career in the electricity sector
- 11 Graduates welcomed as part of our award-winning Graduate Programme
- 159 entry-level roles
- 65 early-career staff attended dedicated development programmes

Empowering our Transpower parents

We put our multigenerational mindset into practice by supporting Transpower families. Along with provision for flexible working, we have leave entitlements targeted to support our parents, including topping up

New Zealand's statutory 26 weeks' paid parental leave to 100% of full salary (up to \$200,000) for permanent employees. In FY26 we've made a significant increase to parental support. In December 2025 we launched our Transpower Parents' Package. As well as retaining the 26 weeks' full salary top-up, the new package triples paid partner leave – allowing up to six weeks' paid leave for partners. We have also added further support for pregnancy-related appointments and for pre-term birth.

Perhaps most significant is that we now provide a lump sum Kiwisaver contribution on a parent's return from extended (unpaid) parental leave. Retirement saving is a key area of income disparity for woman – this new provision is a strong step towards financial continuity and equity for our people.

The Parents' Package is a fantastic step forward in supporting our employees and their whānau. It's practical, inclusive, and makes it easier for everyone to access the help and benefits they need.

Chantelle Bramley,
Executive GM Operations &
PowerParents EGM Sponsor

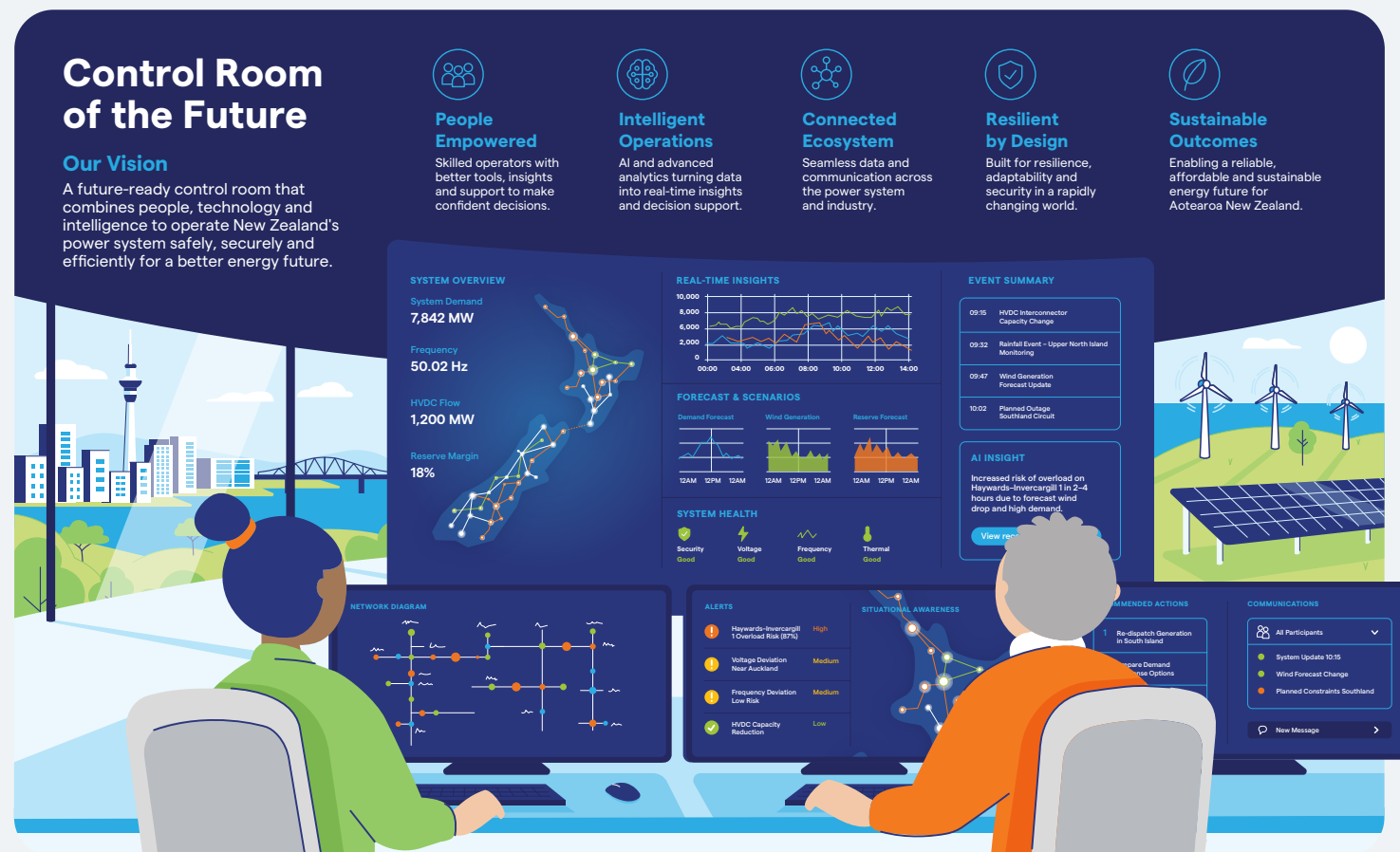
Operating the control room of the future

Aotearoa New Zealand's electricity system is becoming increasingly more complex to operate in real time.

To meet this, we are re-drawing the horizon of our System Operator Strategy, see [page 29](#). This outlook will also support how we plan for and scale up operational capability in our control rooms. An expanding grid, increasing electrification, new technologies, distributed energy sources, more frequent weather-related events – these are all driving higher levels of operational uncertainty and risk.

The pressure of managing this uncertainty will be felt acutely inside our control rooms, and in our system controller role. To meet it, we need to evolve and adapt so that our data, processes and knowledge management practices are prepared for the rapid change ahead. In this way, we can support the timely and consistent decision making we need to keep the system secure into the future. Ensuring our operations keep pace with the future state is the work of our Control Room of the Future project.

New Zealand is not alone in this challenge, and we are actively seeking insights from power system research and practice around the world. The work being done by the Global Power System Transformation Consortium (G-PST) is pivotal. In our own Control Room of the Future initiative, we are drawing on a control room framework and model that G-PST developed alongside the US National Renewable Energy Laboratory (NREL) and the Electric Power Research Institute (EPRI). We are also engaging directly with EPRI, and power system operators globally.



By getting a clear understanding of both current and future state in the control room, we will gain a strong sense of any potential gaps in our functions and capabilities. This will help us make a smart, streamlined and

economical plan for the way ahead, guiding our future investment and ensuring we get the most out of what we have. This isn't just about managing change, it's about reimagining how our people, systems, and technology come

together to "keep the lights on" on safely and reliably for New Zealand during and beyond the energy transition.

Sustainability Strategy FY2026

Key:  Significant progress  Achieved

Challenge areas	Strategic outcome	KPI	Supporting initiative ¹	Indicator
Climate change				
	Our overall carbon footprint (including transmission loss emissions) is reduced 15% by 2030, on track to achieve a net zero grid by 2050	 Reduce Scope 1 & 2 GHG controllable (excl. transmission loss emissions) emissions by 44% by 2030, focusing on carbon intensity of operations	Continue to implement SF ₆ gas management strategy with priority focus on: (a) monitoring and addressing leaks; (b) accelerating pole replacements; (c) transitioning to non-SF ₆ alternatives	
			(a) Finalise and implement the transmission losses guide; and (b) Accelerate customer connections supporting the fuel transition	
			Develop quarterly reporting dashboard for Scope 1 and 2 emissions	
			(a) Carry out trial of Major Grid Service Contract and facilities maintenance service providers utilising Transpower's EV charging network; (b) Extend the EV charging network; and (c) Trial solar PV utilisation and back up electric generators	
	Ensure the grid is resilient to climate change	 An increase of emissions, against FY21, of less than 64% by 2030 against FY21 (being a 35% reduction of Scope 3 emissions against forecast 2030 emissions), focusing on how our infrastructure is designed, built and maintained, including the materials and services provided to Transpower	(a) Grow Sustainability Alignment membership to include facilities maintenance and tower painting service providers to share learnings and drive change; (b) Collaborate with sector/infrastructure peers to identify opportunities to accelerate emission reductions	
			Third party emissions: (a) Continue to implement sustainable procurement terms for all major supply contracts, initially focusing on GHG reporting and waste reduction; (b) capture actual Scope 3 emissions data for 75% of Transpower supplier expenditure, focusing on major suppliers	
			Document and deliver priority wins on Targeted Scope 3 emissions reduction programme, including (a) prioritising design standards, asset strategies, and carbon reduction opportunities; (b) embedding use of Moata Carbon Portal; (c) materials, transport-emissions, procurement; (d) drone/remote access engineering opportunities	
Environmental stewardship				
	Environmental impacts are minimised, with a net gain in biodiversity	 Deliver a net biodiversity gain	Continue to implement Biodiversity Strategy with application of net biodiversity gain methodology, including on Transpower-owned non-operational land	
		 Improve water quality and reduce contamination risks	A baseline study of the nature data we collect in order to conduct a gap analysis between this and what we need to be collecting in due course under TNFD to understand our nature-related risks and opportunities	
			Fully implement Contaminated Land Strategy and associated action plan into business as usual	
		 Reduce waste to landfill	Continue to implement the Waste Strategy, and a 30% reduction in waste sent to disposal from 2022/23 levels by 2030 and targeting circular economy and waste minimisation programmes, focusing on our larger suppliers	

1. Two initiatives were removed from the Sustainability Strategy during FY26 as their objectives were incorporated into related strategic initiatives.

Key:  Significant progress  Achieved

Challenge areas	Strategic outcome	KPI	Supporting initiative¹	Indicators	
Sustainable business					
	Decision frameworks consider social and environmental impacts		Include carbon and sustainability considerations in core decision-making frameworks	Embed Sustainability in Design – develop and implement change plan, including incorporating carbon into the dispensations criteria and into statements of work for design and design standards utilising Moata Carbon Portal as a supporting tool	
				Develop a trial framework for utilising a Transpower internal emissions price	
			Awareness of future ESG obligations for Transpower	(a) Develop continuous improvement roadmap for development of Climate Statement, governing and monitoring risks and opportunities identified, including dashboard. (b) Coordinate the delivery of the FY26 Climate Statement, including assurance	



Our carbon footprint

We have been publicly reporting our GHG emissions since 2005. Over that time, we have set emissions targets, improved the way we measure and manage our carbon footprint, and worked with suppliers to support emissions reduction across our supply chain. More detail can be found in our *FY26 GHG Inventory Report* and *Climate Statement FY26*, which are prepared in accordance with the Aotearoa New Zealand Climate Standards.

Enabling the electrification transition is the most significant contribution we can make to reducing emissions. As we build new connection points and upgrade the national grid to support electrification, our Scope 3 emissions are anticipated to increase significantly in the near term due to the embodied carbon and associated delivery works involved with the physical construction and upgrade of infrastructure. This expected near-term increase in Scope 3 emissions is an essential byproduct of Aotearoa New Zealand's

electrification and is expected to be outweighed over time by the wider emissions reduction benefits of a more renewable electricity system.

In FY25, we revised our short-term Scope 1 and 2 emissions target and set new targets for our long-term Scope 1 and 2 emissions, our Scope 3 emissions, and overall emissions. Our progress against our GHG emissions targets is shown below. In FY25 we reset our baseline year for all targets, which has moved

from FY06 to FY21. For comparisons across the different data sets and more details of these changes, please see the **FY26 GHG Inventory Report**.

Our total emissions in FY26 were calculated at 147,903 tonnes of carbon dioxide equivalent (tCO₂e), a decrease of 76,453 tCO₂e from FY25. This decrease was primarily driven by lower Scope 2 emissions, reflecting a reduction in emissions associated with transmission losses.

GHG emissions targets and progress

Target type	Target	FY2021 Baseline (tCO ₂ e)	Goal (tCO ₂ e)	Progress trajectory
Scope 1 and 2 short-term	44% reduction of Scope 1 and 2 GHG emissions (excluding transmission loss emissions) by FY30.	6,154	3,484	Not tracking to meet target
Scope 1 and 2 long-term	Net-zero Scope 1 and 2 GHG emissions (including transmission loss emissions) by FY40, with an absolute target of a 90% reduction.	202,698	20,270	Tracking to meet target
Scope 3 short-term	Less than a 64% increase of Scope 3 emissions by FY30; this is also a 35% reduction against Transpower's forecast FY30 Scope 3 emissions of 90,220 tCO ₂ e.	37,837	58,643	Not tracking to meet target
Scope 3 long-term	Net-zero Scope 3 emissions by FY50, with an absolute target of a 90% reduction.	37,837	3,784	Not tracking to meet target
Overall short-term	15% reduction of total gross GHG emissions (Scope 1, 2, and 3) by FY30.	240,536	204,455	Ahead of target

Scope 1

Scope 1 emissions arise directly from our operations, including our use of fugitive gases and fuel in vehicles. In FY26, our Scope 1 emissions were calculated at 4,197 tCO₂e, a 9% increase from FY25.

Transpower is the country's largest holder of sulphur hexafluoride (SF₆), which is used as an insulating gas in our essential high-voltage switchgear. In FY26, our emissions from SF₆ and other fugitive gases increased 10% from FY25. Managing SF₆ emissions remains a key focus for Transpower. Initiatives in our **Sustainability Strategy** and SF₆ Management Strategy aim to improve SF₆ handling, strengthen maintenance programmes, and progressively replace lower-voltage SF₆ switchgear in support of our FY30 and long-term emissions reduction targets.

Scope 2

Scope 2 emissions relate to electricity usage in our buildings and non-controllable transmission losses associated with operating the national grid. In FY26 Transpower's Scope 2 emissions were calculated at 76,834 tCO₂e, a 50% decrease from FY25.

Transmission loss emissions decreased by 50% in FY26 compared to FY25, which was driven by the generation mix. These emissions are largely outside Transpower's control, but we continue to monitor and report them and explore where we may be able to influence outcomes. Annual fluctuations are driven by climatic conditions and generation dispatch decisions, which determine the type and location of generation and the distance electricity travels, and the changing mix of generation connected to the national grid.

Hydrology, plant availability, major outages, and newly connected renewable generation also affect the generation mix and resulting emissions.

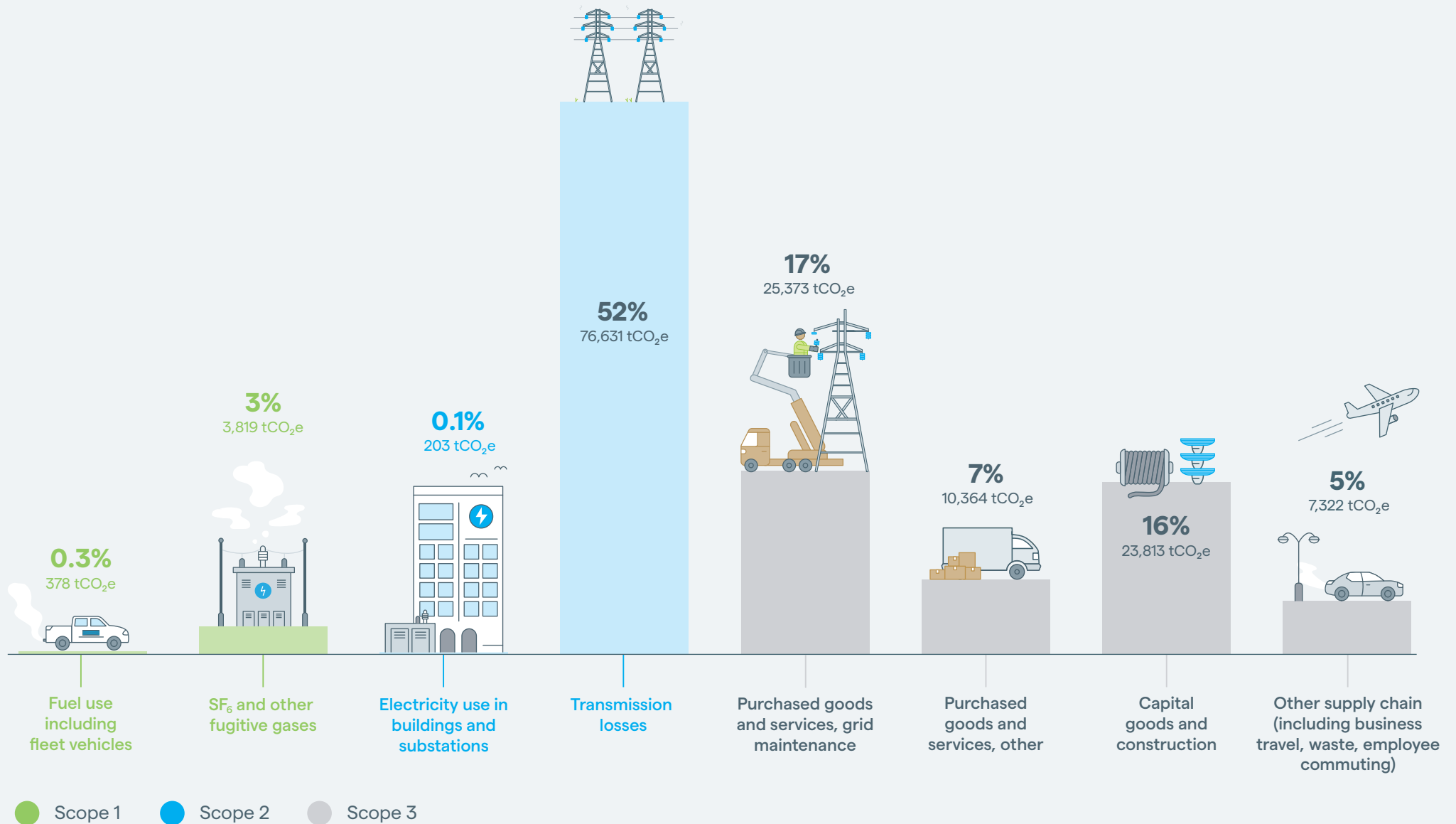
As a State-Owned Enterprise, we are investing significantly in upgrading the national grid to support Aotearoa New Zealand's electrification goals and the growth of renewable generation. We are focused on connecting new renewable generation, and electrification load as efficiently as possible. While expanded and larger-scale infrastructure will increase physical transmission losses, the associated emissions are expected to decline over time as the electricity supply becomes increasingly renewable.

Scope 3

Scope 3 emissions come from the work carried out by our Service Providers, as well as the services, goods, and materials purchased to support that work. Our Scope 3 emissions in FY26 were calculated at 66,872 tCO₂e, a 1% increase from FY25. We are working closely with our Service Providers and suppliers to reduce the emissions intensity of this work and support the sustainable development of the national grid.



GHG emissions inventory







Our business

Together, our Board and Executive Leadership Team set and guide our strategic focus and business activities and manage our risks to ensure we empower Aotearoa New Zealand's energy future.

Transpower measures its performance against the targets set out in the Statement of Corporate Intent, as well as against a wider range of environmental, social and economic measures.

Targets and outcomes

Statement of Corporate Intent FY2026

Performance area	Measure	2025/26	2024/25	2023/24	Target 2025/26
Safety and our people	Number of fatalities or injuries causing permanent disability	0	0	0	0
	Total recordable injury frequency rate (TRIFR) rolling 12 months	4.4	5.6	4.4	≤ 6
	High potential incident frequency rate (HPIFR) rolling 12 months	1.5	1.4	1.1	≤ 3
	Staff engagement	Achieved	Achieved	Achieved	Top 25% percentile score for energy & utilities sectors (12 month rolling average)
Sustainability	Progression toward Scope 1 & 2 GHG emissions targets – 3,484 tCO ₂ e by 2030 (44% reduction from base year of 2021)	Achieved	Achieved	Achieved	< 4,681 tCO ₂ e
	Waste Reduction – 30% reduction in proportion of waste sent to disposal from 2022/23 levels by 2030 (from 53.6% in 2022/23 to 37.9% by 2030) ¹	26%	-	-	≤ 46.7 % of Total
Service performance	Grid interruptions:				
	GP1 Achieve collars for occurrence (unplanned interruptions)	5	6	6	≥ 4 out of 6
	GP2 Achieve collars for average unplanned interruption duration (subject to audit)	5	6	5	≥ 4 out of 6
	Grid availability:				
	AP1 HVDC energy availability	98.22%	97.49%	96.99%	> 96.00%
	AP2 Key HVAC assets availability	98.50%	97.31%	97.91%	> 97.45%
	Achieve system operation targets	Achieved	Achieved	Achieved	70%
Asset health measures	Number of asset classes achieving annual asset health quality limits – RCP4	4	-	-	≤ 4 out of 7
	Transformer Quality Limit met – RCP3 ²	-	Achieved	Achieved	≤ 12.03%
	Outdoor Circuit Breaker Quality Limit met – RCP3 ²	-	Achieved	Achieved	≤ 8.27%
Financial performance	Free funds from operations (FFO) interest coverage	3.9	4.4	5.4	3.4
	FFO/debt	14.5%	13.0%	13.5%	11.7%
	Return on equity	8.5%	5.9%	4.7%	7.2%
	Return on capital employed	4.4%	3.5%	2.8%	4.2%

1. New measure in FY2026.

2. These measures no longer reported.

Environmental

		Unit	Change (up/down)	2025/26	2024/25	2023/24	Comments
Sustainability 	Environmental management						
	Significant/severe incidents	number		-	-	-	
	Moderate incidents	number	—	1	1	2	
	Minor incidents	number	✓	23	28	18	
	Carbon emissions						
	Scope 1 emissions (emissions arising directly from our operations)	tonnes CO ₂ e (equivalents)	⬆	4,197	3,847	3,548	
	Scope 2 emissions (emissions associated with electricity usage, including transmission losses)	tonnes CO ₂ e (equivalents)	✓	76,834	154,157	136,207	
	Scope 3 emissions (emissions arising from activities in our supply chain)	tonnes CO ₂ e (equivalents)	⬆	66,872	66,351	53,009	
	Total carbon emissions	tonnes CO ₂ e (equivalents)	✓	147,903	224,356	192,765	
	Progress towards FY2030 Scope 1 and 2 GHG emissions reduction target (excluding transmission loss emissions)	% of target achieved	✓	66	72	95	
	Emission to air						
	SF ₆ and other fugitive gases	kg	⬆	227	144	132	
	Energy consumption						
	Total gas consumption in non-operational buildings	GJ	⬆	797	732	921	
	Total energy consumption in non-operational buildings	kWh	⬆	2,403,879	2,288,880	2,312,923	
	Total energy consumption in operational buildings	kWh	⬆	1,498,748	1,216,041	1,136,008	
	Business travel						
	Fuel used in operational plant and vehicles	litres	⬆	135,071	130,025	117,367	
	Flights – distance travelled	km	⬆	4,571,589	4,301,469 ¹	4,074,937	
	Company vehicles – distance travelled	km	⬆	1,830,231	1,698,022	1,573,485	
	Rental vehicles – distance travelled	km	⬆	366,651	291,369	262,531	

1. Flights distance travelled figure was incorrectly stated for FY25. This figure has been amended in this table.

Social

		Unit	Change (up/down)	2025/26	2024/25	2023/24	Comments
	Safety						
	High potential incident frequency rate (HPIFR) (employees and contractors)	per million hours	⬆	1.5	1.4	1.1	
	Total recordable injury frequency rate (TRIFR) (employees and contractors)	per million hours	⬇	4.4	5.6	4.4	
	Number of fatalities or injuries causing permanent disability (employees and contractors)	number	—	-	-	-	
	Workforce composition						
	Total Transpower employees (headcount)	number	⬆	1,113	1,080	969	
	Median age of employees	years	—	45	45	46	
	Average length of service	years	⬆	7.80	7.54	7.91	
	Average employee earnings	\$k	⬆	153.8	150.7	148.0	
	Gender balance						
	Gender identity by role – All	%female/male/gender diverse and not stated		35/64/1	34/65/1	32/68/0	
	Gender identity by role – People leaders	%female/male/gender diverse and not stated		34/66/0	31/69/0	31/69/0	
	Gender identity by role – General management	%female/male/gender diverse and not stated		30/70/0	40/60/0	56/44/0	
	Gender identity by role – Board	%female/male/gender diverse and not stated		38/63/0	43/57/0	57/43/0	
	Gender pay gap – median salary	%		16.8	17.3	15.3	
	Workforce stability and wellbeing						
	Total staff turnover	%	⬆	8.3	7.7	9.9	
	Voluntary turnover	%	⬆	7.6	7.5	9.2	
	Average number of sick days per employee	days per employee	⬇	5.5	6.4	5.8	

Social

	Unit	Change (up/down)	2025/26	2024/25	2023/24	Comments
People 	Ethnicity (All)					
	% staff providing ethnicity data	^	82	79	76	
	European (incl New Zealanders prior to FY2025)	^	38	37	72	
	Māori	∨	5	6	6	
	Middle Eastern/Latin America/African	∨	3	4	4	
	Asian	∨	27	29	26	
	Pacific	—	3	3	4	
	Other Ethnicity (incl New Zealanders)	∨	32	37	4	
	Ethnicity Māori Pay Gap – Median Salary	^	11.2	6.8	-	New measure in FY25.
	Employee engagement					
	Employee engagement survey participation	∨	93	94	93	
	Employee engagement survey results – % Peakon quartile for Energy & Utilities sector	^	top 10%	top 25%	top 25%	
	Employees skill and capability					
	Learning and development expenditure (technical training inclusive)	^	\$ million 3.8	3.6	2.3	
	Investment in pipeline training (graduate programme)	^	\$ million 2.7	2.0	1.9	
	Internal hires to total hires	^	% 29	24	24	
	Skill and capability of wider industry					
	Training of industry/Service Providers	—	\$ million 3.7	3.7	4.7	
Relationships 	Business ethics					
	Notifiable privacy breaches	—	number 0	0	0	
	Community					
	Number of voluntary days used	∨	number 350	357	338	
	Investments in communities	✓	\$k 778	809	720	

		Unit	Change (up/down)	2025/26	2024/25	2023/24	Comments
Relationships 	Stakeholder satisfaction						
	Percentage of customers who have overall satisfaction with their engagement with Transpower	%	^	80	70	72	
	Satisfaction from customers on System Operator performance	%	✓	88	96	78	
	Landowner satisfaction – Landowner satisfaction survey	%	✓	89	N/A	91	This survey is biennial.
	Landowner satisfaction – Number of claims against Transpower to Utility Disputes	number	—	0	0	0	



Board and Executive visit to Te Matai substation, Bay of Plenty.

Economic

	Unit	Change (up/down)	2025/26	2024/25	2023/24	Comments
Financial 	Financial performance					
	Net profit	\$ million	176	107	90	
	Return on capital employed	%	4.4	3.5	2.8	
	Return on equity	%	8.5	5.9	4.7	
	Dividends paid per year	\$ million	92	114	116	
	Taxation					
	Current tax paid	\$ million	16	18	17.1	
	Capital investment and supply chain					
	Total capital expenditure	\$ million	644	600	475	
	Total procurement spend	\$ million	858	1,020	860	
	Total asset value	\$ million	7,515	7,210	6,271	
	Network performance					
	Number of loss of supply events greater than 0.05 system minutes	number	8	9	9	Numbers are unaudited and preliminary, to be finalised in November 2026.
	Number of loss of supply events greater than one system minute	number	3	2	1	One event was due to damage caused by Cyclone Vaianu, one to suspected lightning and one to strong winds and rain that resulted in a grid emergency. Numbers are unaudited and preliminary, to be finalised in November 2026.
	Unplanned HVAC circuit unavailability	%	0.078	0.034	0.062	The increase is largely due to the unplanned HVAC outages being longer in duration. Numbers are unaudited and preliminary, to be finalised in November 2026.
	Unplanned HVDC bi-pole unavailability (%)	%	0.492	0.646	0.066	Numbers are unaudited and preliminary, to be finalised in November 2026.
	Total impact of interruptions (measured in system minutes)	number	7.43	5.77	2.53	Weather events had a significant impact on this measure. Three separate events – Cyclone Vaianu, a suspected lightning event, and a storm event with strong winds and rain – contributed to the increase. Numbers are unaudited and preliminary, to be finalised in November 2026.
	Generators (Injection)	GWh	38,081	37,143	38,373	

	Unit	Change (up/down)	2025/26	2024/25	2023/24	Comments
Financial 	Network performance					
	GXP-EDBs (offtake)	GWh	—	31,529	31,522	32,003
	GXP-direct connects (offtake)	GWh	^	6,548	5,564	6,342
	HVDC flows north	GWh	^	2,656	2,017	2,324
	HVDC flows south	GWh	v	311	745	380
	HVDC losses	GWh	^	104	96	90
	AC system losses	GWh	—	1,367	1,312	1,241



Mana whenua Te Taumutu Rūnanga lead a karakia whakatuwhera for the opening of our Rolleston warehouse.

Customer service measures (New for FY2026)

		Unit	2025/26	Comments
Customers 	Customer satisfaction			
	Percentage of customers who have overall satisfaction with their engagement with Transpower	%	80	Overall rating of 'satisfied' or 'very satisfied'. Sample n=77; accuracy = +/-11%.
	Connection enquiries			
	Enquiries	number	105	
	From enquiry to formal investigation: Average days	number	121	Transpower started 29 investigations in FY26, of which 28 related to enquiries received in previous years. In FY26 only one project proceeded from initial enquiry to investigation within the year, hence the same outcome for all measures.
	From enquiry to formal investigation: Minimum days	number	121	
	From enquiry to formal investigation: Maximum days	number	121	
	Connection investigations¹			
	Investigations started	number	29	See above.
	Concept Assessments delivered: average days	number	44	During FY26 we delivered 44 Concept Assessments with an average time of 44 days. This figure includes Concept Assessments for projects that have not yet proceeded to investigation.
	Commissioning activity			
	Commissioning: Number of projects	number	17	
	Commissioning: Total dollar value of projects	\$ million	30.6	This total does not include one project where the connection has been commissioned but the project is not yet complete, as final costs are not yet known.
	Commissioning: Load projects – median days	number	351	Measured from date customer investment contract is executed to date connection is commissioned.
	Commissioning: Load projects – mean days	number	387	Measured from date customer investment contract is executed to date connection is commissioned.
	Commissioning: Generation projects – median days	number	460	Measured from date customer investment contract is executed to date connection is commissioned.
	Commissioning: Generation projects – mean days	number	362	Measured from date customer investment contract is executed to date connection is commissioned.
	Commissioning: Number of projects delivered within contracted time	number	14	As set out in the investment contract or as subsequently agreed with the customer in accordance with the terms of the contract.

1. Transpower expects to report additional Connection investigations measures from FY27 onwards.

		Unit	2025/26	Comments
Customers 	Commissioning: % of projects delivered within contracted time	%	82	
	Commissioning: Costs exceeded – number of projects	number	1	6% of projects. The customer pays actual costs and there can be a time lag between the connection commissioning and project completion (at which point final costs are known).
	Commissioning: Costs exceeded – average % overrun	%	14	
	Commissioning: Costs under or met – number of projects	number	15	94% of projects. The customer pays actual costs and there can be a time lag between the connection commissioning and project completion (at which point final costs are known).
	Commissioning: Costs under or met – average % underrun	%	23	



Executive Leadership Team



James Kilty
Chief Executive

James joined Transpower in February 2025 from Powerco, where he had been Chief Executive for three years. He has over 20 years' experience in the energy industry, holding a range of leadership roles at Contact Energy, including Deputy Chief Executive. James holds an LLB (Hons) from the University of Waikato and has completed both the Harvard Business School High Potential Leadership Course and the Advanced Management Programme at Chicago University Booth School of Business.



Greg Smith
Chief Financial Officer

Greg joined Transpower in February 2026 from the Reserve Bank of New Zealand, where he was Assistant Governor and General Manager of Finance and Commercial Operations. Prior to this he was Chief Financial Officer at Steel & Tube Holdings and Wellington Electricity, following senior management roles at Opus International and KPMG.



Chantelle Bramley
Executive General
Manager Operations



John Clarke
Executive General
Manager Future Grid



Louise Griffin
Executive General
Manager External Affairs



Brigid Kelly
Executive General
Manager People



David Knight
Executive General Manager
Strategy, Regulation and
Governance



Cobus Nel
Executive General
Manager Information
Services & Technology



Mark Ryall
Executive
General Manager
Grid Delivery



Matt Webb
Executive
General Manager
Grid Development

Visit our website to read leadership team profiles: [Executive Leadership Team](#).

The Board

The Board directs and guides Transpower's strategic focus and business activities.

Board members are appointed by and accountable to the shareholding Ministers. The Directors collectively bring skills and expertise to support the Executive Leadership Team to set and deliver on the strategic objectives and direction of the business as well as responding to shareholding Ministers' expectations.

Complementing the Board's overarching view of the business, each Board member spends time with our Executive Leadership Team, extending their knowledge base in the day-to-day operations and their understanding of what happens at every layer of the organisation.

The Board spends time learning from other national and global organisations, as well as extending their knowledge and understanding of our stakeholders, customers and end-consumers.

This list reflects our Board of Directors as at 30 June 2026.

Visit our website to read Board profiles: **Board of Directors**.



Michele Embling

Chair

Michele has more than 10 years' experience as a Chair and board member. Her other governance roles include Chair of the External Reporting Board (XRB) and board member of AIA New Zealand Limited, IAG New Zealand Limited, Kiwi Property Group Limited and Toitū Tahua – The Centre for Sustainable Finance.

She is a fellow of Chartered Accountants Australia and New Zealand (CAANZ), a fellow of Institute of Finance Professionals NZ Inc. (INFINZ) and a member of the Institute of Directors. Michele became the Chair of the Transpower Board in June 2025.

Michele served as the Chair of PwC in New Zealand from 2016–2020 and was a partner for 15 years. She served as Co-Chair of Champions for Change from 2018–2020 and from 2011–2018 was a board member and Deputy Chair of Global Women.



Whaimutu Dewes

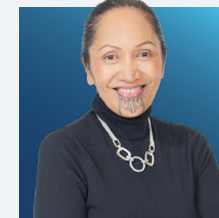
Deputy Chair



Owen Coppage



Leon Grice



Parekawhia McLean



Kevin Palmer



Bruce Parkes



Merryn York AM

Corporate governance

Board Committees

Transpower has four regular Board committees:

1. Audit & Risk Committee
(Kāhui tātari kaute me tūraru)
2. People & Performance Committee
(Kāhui whakahaere tangata me te mahi)
3. Health, Safety & Wellbeing Committee
(Kāhui hauora me te marutau)
4. System Operator Committee
(Kāhui whakamahi pūnaha)

Each committee has terms of reference that outline its role, rights, responsibilities, and membership requirements. You can find this information, along with the current committee memberships, on our [website](#).



Scan to visit:
[Who we are – Transpower](#)

Meeting attendance

The Executive General Manager Strategy, Regulation and Governance (in performing his roles as General Counsel and Company Secretary) attends all meetings as Secretary. Committee terms of reference set out that:

- the Chief Executive and Chief Financial Officer are included as attendees at the Audit & Risk Committee meetings at the request of the Chair of the Committee
- the Chief Executive, the Executive General Manager People, and relevant Executive General Managers are included as attendees at the Health, Safety & Wellbeing Committee meetings

- the Chief Executive and Executive General Manager People are included as attendees at People & Performance Committee meetings
- the Chief Executive and Executive General Manager Operations are included as attendees at the System Operator Committee meetings.

			Board	Audit & Risk	Health, Safety & Wellbeing	People & Performance	System Operator
Director	Commenced	Ceased					
Owen Coppage	1 July 2023		8/8	4/4			4/4
Whaimutu Dewes	1 July 2023		8/8		3/3	3/3	
Michele Embling	1 March 2022		6/8	4/4	2/3	2/3	3/4
Leon Grice	28 May 2025		8/8	4/4			4/4
Parekawhia McLean	8 July 2022		8/8		3/3	3/3	
Kevin Palmer	28 May 2025		8/8	4/4		3/3	
Bruce Parkes	1 August 2025		7/8		3/3		3/4
Merryn York	1 January 2025		8/8		3/3		4/4



Director skills matrix

*As at 30 June 2026

Strategic priority	Director skills and experience	Capability as at 30 June 2026
Play an active role in enabling New Zealand's energy future	Industry experience Executive experience in the electricity industry in transmission, distribution and/or generation.	●●●●○
	New technologies Leadership experience of innovation, new technologies in electricity systems, real-time data systems for decision making and digital transformation.	●●●○○
	Strategic thinking Skills that enable critical thinking to solve complex problems.	●●●●●
Our role in environmental, social and governance	Governance Experience in corporate governance, including with listed companies or other government owned companies.	●●●●●
	Risk Understanding of operational, project, financial and non-financial risk management.	●●●●○
	Community and te ao Māori Leadership in decarbonisation, impact on communities, efficiency in energy use and impact on energy poverty.	●●●●○
	Health and safety Understanding of workplace health and safety, including knowledge of legal obligations.	●●●●○
	Climate-related risks Understanding of climate-related risks, and governance, strategy and management of such risks.	●●●●○
	Environment and sustainability Experience in delivering sustainability strategies and managing environmental challenges, application of tikanga Māori.	●●●○○

Transpower's Board of Directors comprises individuals with a broad and diverse set of skills and experience that collectively benefit our company and the electricity sector.

Key:

- High Capability
- Moderate Capability

Strategic priority	Director skills and experience	Capability as at 30 June 2026
Match our infrastructure to need over time	Finance and capital markets Knowledge of financial business drivers, capital allocation and financing.	●●●○○
	Government and regulation Understanding of regulatory environment, particularly regulated businesses and energy sector and associated challenges for infrastructure.	●●●●●
	Large-scale infrastructure and projects Experience overseeing large-scale infrastructure growth, project investment, large project management, project execution and maintenance programmes.	●●●●○
Evolve our services to meet customers' needs	Stakeholder management The skills and relationships to support stakeholder management from government and mana whenua to delivering on a customer-centric approach.	●●●●○
	Commercial capability Understanding of commercial alignment, impact of innovation and transformation.	●●●●○
Accelerate our organisational effectiveness	Executive leadership Former senior executive leadership experience, including strategic growth, evolving culture, identifying priorities and driving delivery.	●●●●○
	Asset management and real-time operations Experience in deployment of best practice asset management technology and digital tools for power systems. Knowledge of real time data systems for decision making.	●●●○○
	Security, data and technology Leadership of using data, AI, conversion to digital and security of systems supporting the national security of the grid, systems-enabled operational efficiencies and data use for the benefit of the community.	●●●●○

Directors' interests

Transpower's *Directors' Interests Policy* governs how Transpower resolves and manages the way directors' individual interests are disclosed.

No Directors hold any interest in shares of Transpower, have loans from Transpower or have made any request to use company information received in their capacity as Directors that would not otherwise have been available to them.

The following current Directors have made general disclosures of interest (as at 25 June 2026) with certain external organisations based on them being a chair, director, board member, trustee, council member, member, employee or consultant of those organisations or holding material securities or shares of those organisations.

Note: Some directors hold shares in energy companies either directly or through Trusts and these are disclosed in accordance with the *Directors' Interests Policy*.

Name	Description
Owen Coppage	Independent Advisor to Genesis Energy Retail Platform Transformation
	Independent Advisor to Tata Consultancy Services
	Director, EnergyOS Pty Ltd
Whaimutu Dewes	Director, Whainiho Developments Limited
	Director, Ngati Porou Whanui Forests Limited
	Director, Ngati Porou Forests Limited
Michele Embling	Board Member, Toitū Tahua The Centre for Sustainable Finance
	Board Member, AIA New Zealand Limited
	Director, IAG New Zealand Limited
	Director, Kiwi Property Limited
Leon Grice	Chair, Antarctica New Zealand
	Director, Tara Science Limited
	Director, Taranui Ventures Limited
	Trustee, Grice Henderson Family Trust
	Committee Member, New Zealand Olympic Committee USA Foundation
	Director, West Cork Forestry Limited
	Director, Closeassociate Limited
	Director, Aroha City Limited
	Director, Pinedale Forest GP Limited
	Director, NZ Breakers Club Limited
	Director, CB Port Limited

Name	Description
Parekawhia McLean	Board Member, Health New Zealand
	Board Member, Waikato Tainui (Te Aratūara)
	Tumu Whakarae CEO, To Kahui Tatari Ture Criminal Cases Review Commission
	Board Member, Netball NZ
Kevin Palmer	Deputy Chair, Priority One Western Bay of Plenty
	Trustee, Manaaki Kaimai Mamaku Trust
	Director, Pharmacy Wholesalers (Bay of Plenty) Limited
	Director, PharmacyFirst Limited
	Director, Palmer Governance Limited
	Part-time Chief Financial Officer at Rural Energy Limited
Bruce Parkes	Mentor to the Chief Executive, and occasional independent advisor on strategic matters, to NOW New Zealand Limited – a telecommunications subsidiary of Mercury Energy Limited
	Director, Risk Reinsurance Limited
	Part-time consultant to MBIE on supermarket reforms
	Director, Crown Research Institute Earth Sciences
Merryn York	Consultant to Hardie Pacific Ltd on natural hydrogen
	Director, Ande Super Pty Limited

Director remuneration

Remuneration and benefits payable to Directors for services as a Director are determined by shareholding ministers.

Remuneration paid to Transpower's Directors during FY26 is shown in the table.

During FY26, no Director of Transpower or the Transpower Group has received or become entitled to receive any benefit other than that disclosed above.

Director	Date commenced in office	Date ceased in office	FY26 \$000	FY25 \$000
Owen Coppage	1 July 2023		87	67
Whaimutu Dewes	1 July 2023		99	80
Michele Embling	1 March 2022		158	73
Leon Grice	28 May 2025		79	7
Parekawhia McLean	8 July 2022		87	67
Vanessa Oakley	8 July 2022	31 May 2025		64
Kevin Palmer	28 May 2025		87	7
Bruce Parkes	1 August 2025		73	
Heather Simpson	1 December 2021	31 October 2024		45
Keith Turner	1 December 2021	31 May 2025		114
Merryn York	1 January 2025		79	36

Subsidiary companies

Information on Directors of subsidiary companies as at 30 June 2026.

TB and T Limited	Risk Reinsurance Limited	Halfway Bush Finance Limited	emsTradepoint Limited
David Knight Chris Sutherland	Kevin Palmer David Knight Greg Smith Matt Webb	David Knight Chris Sutherland	Chantelle Bramley David Knight Greg Smith

Company performance and remuneration

Transpower's Remuneration Policy and framework for officers is managed by the People & Performance Committee in line with the Committee's terms of reference.

It is designed to provide line of sight between the company's performance objectives and individual performance objectives. The remuneration framework ensures we provide market comparable salaries to staff to attract, retain and motivate employees.

Any change to the Chief Executive's salary is subject to approval by the Board following a recommendation by the People & Performance Committee.

Company performance targets FY2025

Category	Weighting	Performance driver	Measure	Target
Safety	30%	High potential events	High Potential Incident Frequency Rate	≤ 3.0 (rolling 12-month average)
People	20%	Engagement	Transpower targeted engagement score	Top 25% percentile score (rolling 12-month average)
Customer	20%	Service performance	GP1: Achieve collars for occurrence - unplanned interruptions	≥ 4 out of 6
			GP2: Achieve collars for average unplanned interruption duration	≥ 4 out of 6
Sustainability	10%	Stakeholder engagement plan	Sustainability Strategy delivery	Year 4 Milestones
Financial	20%	Operating profit	EBITDAIF (adjusted passthrough and recoverable costs)	Achieve plan EBITDAIF (+/-2%)
		Grid works	Deliver FY2025 base capex plan (spend basis)	Deliver to budget

Short-term incentives

The Chief Executive and members of the Executive Leadership Team can earn short-term 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 planned earnings before interest and taxation, depreciation and amortisation and fair value adjustments (EBITDAIF).

The performance incentive is paid in September, after the end of the financial year, and relates to performance from the previous year, as it is paid after the balance date. FY2025 company and Chief Executive individual targets are reported above and on [page 65](#).

During FY25 the Chief Executive could earn an incentive payment of 50% of base salary, subject to company and individual performance targets being met and at the discretion of the Board.

Executive Leadership Team salaries are informed by performance against objectives, as assessed by the Chief Executive. Incentive payments for FY25 were assessed between 30-35% of team members' salary.

In relation to their FY25 performance objectives, the leadership team received an average of 98% of the 114% available incentive, paid in FY26.



Chief Executive individual objectives FY2025

Strategic priority	Focus area	Chief Executive strategic initiative	Key performance indicators
Enhance our social licence to operate	Drive value from prioritised RCP3 delivery programme and secure a successful outcome for RCP4	On target delivery of the final year of the RCP3 programme.	- RCP3 expenditure and performance in line with scorecard targets. - Commerce Commission approval of over 98% of our proposed RCP4 expenditure.
	Develop frameworks to support effective community, landowner, and iwi engagement in investment planning	Agree the Brand Strategy to support Transpower's role in electrification.	Brand Strategy delivered and agreed with the Board, reflecting our key stakeholders and approach to engagement to support electrification developments and advance Transpower's role towards this.
Deliver services that meet our customers' needs	Deliver an effective system operator service and negotiate a successful SOSPA	Conclude the SOSPA 3 contract with the Electricity Authority, consistent with earlier negotiations.	Ensure the relationship with the EA enables SOSPA 3 contract execution that leaves both parties able to operate effectively.
Advance our organisational effectiveness	Evolve our processes and end-to-end decision making to lift capability	Preparation for the delivery of the RCP4 programme through defined and measurable programmes of change to support pace of delivery, efficiency and accelerate electrification.	- Accelerate delivery through a "reset" of organisation context, and cadence in delivery through leadership of the organisation. - Strategic programmes of change established (Portfolio Savings, E2E, Customer Queue, Control Room of the Future, EBC, Future Grid).
Facilitate delivery of an optimised transition path for Aotearoa New Zealand's energy system	Maintain organisation engagement, performance, and delivery of our services	Demonstrated industry leadership of system security, emerging decarbonisation and energy transition.	- Maintain profile of Transpower and the Chief Executive as leaders in progressing the energy transition. - Advance the confidence of key stakeholders (Ministers, Commerce Commission, Electricity Authority, Customers, and industry) in Transpower to progress strategic priorities, maintain our operations, and advance our reputation. - Complete Tower 130 actions in accordance with plan. - Demonstrate system security leadership through dry winter and managing winter peaks to keep the lights on for New Zealand electricity consumers.

Remuneration

The details of the Chief Executive's remuneration are set out below. Figures include KiwiSaver. Incentives are based on company and individual performance objectives.

1. Benefits include KiwiSaver, insurances and carpark.
2. Fixed remuneration is the total of base salary and benefits.
3. Includes KiwiSaver paid on incentive.
4. Incentive achieved relates to prior financial year.
5. Incentive achieved related to that financial year.
6. Alison Andrew completed her term as Chief Executive on 30 June 2024; the incentive payment for FY2024 was paid in September 2025.
7. John Clarke was acting Chief Executive from 1 July 2024 – 2 February 2025. The incentive payment is based on a personal component only and was paid in the FY2025 based on targets for the same financial year.
8. James Kilty commenced as Chief Executive on 3 February 2025.

Chief Executive remuneration

Year	Chief Executive	Base salary \$000	Benefits ¹ \$000	Fixed remuneration ² \$000	Discretionary payment \$000	Amount of incentive paid ³ \$000	Total remuneration \$000	% Incentive achieved
2025/26	James Kilty	1,191	60	1,251	-	249	1,500	100 ⁴
2024/25 (from February 2025) ⁸	James Kilty	476	24	500	-	-	500	-
2024/25 (July 2025-February 2025) ⁷	John Clarke (Acting)	419	24	443	-	174	617	100 ⁵
2024/25 ⁶	Alison Andrew	-	-	-	-	448	448	95 ⁴
2023/24	Alison Andrew	1,158	58	1,216	-	450	1,666	99 ⁴
2022/23	Alison Andrew	1,097	55	1,152	-	415	1,568	97 ⁴
2021/22	Alison Andrew	1,035	52	1,087	-	407	1,494	97 ⁴



Employee and executive remuneration

All employees have fixed remuneration, adjusted each year in accordance with a budget agreed by the Board on recommendation from the People & Performance Committee. Any increase is informed by data from independent remuneration specialists. Employees' base remuneration is based on performance, position in range and how their salary compares to the market. Aside from the Chief Executive, Transpower employees who received total remuneration of greater than \$100,000 were in the following bands.

The remuneration bands to the right include all remuneration paid to or on behalf of employees, including base salary, performance payment, KiwiSaver, life insurance, medical insurance, income protection insurance, critical illness insurance and severance or redundancy payments.



Remuneration \$000	2026	Remuneration \$000	2026
740–749	1	270–279	2
720–729	1	260–269	11
710–719	1	250–259	7
660–669	1	240–249	14
650–659	1	230–239	18
610–619	1	220–229	29
560–569	1	210–219	31
490–499	1*	200–209	41
440–449	1	190–199	57
370–379	1	180–189	79
360–369	1	170–179	85
350–359	2	160–169	95
340–349	3	150–159	80
330–339	4	140–149	91
320–329	4	130–139	78
310–319	4	120–129	75
300–309	7	110–119	43
290–299	4	100–109	61
280–289	10		
Total employees earning \$100,000+			946

Employees who are included but who are no longer with Transpower as at 30 June 2026 39

*indicates inclusion of at least one former employee who received a severance or redundancy payment, without which their remuneration would not have been in that band.

Statutory and additional disclosures

NZX disclosures

Transpower is a limited liability company and a State-Owned Enterprise with our shares held on behalf of the Crown by the Minister of Finance and the Minister for State-Owned Enterprises. Transpower has debt listed on the NZX and is, therefore, required to comply with debt listing obligations.

This corporate governance statement reports our activities against the NZX Corporate Governance Code (the NZX Code). The NZX Code is the primary guidance on corporate governance for NZX-listed issuers, describing principles of corporate governance and the recommended action to demonstrate best practice.

There are certain parts of the NZX Code that do not apply to Transpower, such as those clauses related to Director appointments, takeovers, Directors' remuneration and shareholder rights.

As a State-Owned Enterprise, these governance arrangements are the responsibility of the Crown and are set out in the State-Owned Enterprises Act 1986, Transpower's constitution, and the Owner's Letter of Expectations.

Transpower's **Corporate Governance Statement** is detailed in full on Transpower's website along with relevant **policy documents**.

Securities listed on the NZX Debt Market

As at 30 June 2026 Transpower has securities listed on the NZX Debt Market quoted under the ticker codes TRP090, TRP100, TRP110.

As a listed issuer, Transpower is subject to certain requirements and obligations under the NZSX/NZDX Listing Rules, including a continuous disclosure obligation.



Other disclosures

Based on the register of bondholders, Transpower has at least the following number of bond holders as at 30 June 2026.

TRP090				TRP100				TRP110				
Bond holders 30 June 2026												
	No. of bond holders	% of bond holders	No. of bonds (000)	% of bonds	No. of bond holders	% of bond holders	No. of bonds (000)	% of bonds	No. of bond holders	% of bond holders	No. of bonds (000)	% of bonds
1,001–5,000	11	10.5	55	0.0	8	4.7	40	0.0	96	43.1	480	0.3
5,001–10,000	13	12.4	125	0.1	30	17.4	287	0.1	37	16.6	319	0.3
10,001–50,000	41	39.1	879	0.4	85	49.4	2,254	1.1	62	27.8	1,515	1.5
50,001–100,000	13	12.4	1,013	0.5	18	10.5	1,460	0.7	12	5.4	974	1.0
>100,001	27	25.7	197,928	99.0	31	18.0	195,959	98.0	16	7.2	96,712	96.7
Total	105	100.0	200,000	100.0	172	100.0	200,000	100.0	223	100.0	100,000	100.0

TRPO90	TRP100				TRP110			
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Top 20 largest listed bond holders 30 June 2026

Name	Units	% Units		Units	% Units		Units	% Units
BNP Paribas Nominees NZ Limited	57,851	28.9	Westpac New Zealand Limited (WNZL40)	34,000	17.0	FNZ Custodians Limited	15,071	15.1
Westpac New Zealand Limited (WNZL40)	32,500	16.3	Apex Custodian Nominees	30,069	15.0	BNP Paribas Nominees NZ Limited	14,068	14.1
Custodial Services Limited	20,652	10.3	Custodial Services Limited	28,085	14.0	Forsyth Barr Custodians Limited	13,219	13.2
Apex Custodian Nominees	15,696	7.9	FNZ Custodians Limited	19,166	9.6	Custodial Services Limited	11,887	11.9
Kiwibank Limited	10,000	5.0	BNP Paribas Nominees NZ Limited	17,558	8.8	HSBC Nominees (New Zealand) Limited	9,975	10.0
New Zealand Local Government Funding Agency Limited	10,000	5.0	TSB Bank Limited	14,000	7.0	Apex Custodian Nominees	7,475	7.5
HSBC Nominees (New Zealand) Limited	9,157	4.6	Kiwibank Limited	14,000	7.0	ASB Bank Limited	5,600	5.6
TSB Bank Limited	8,250	4.1	Forsyth Barr Custodians Limited	11,099	5.6	TSB Bank Limited	5,600	5.6
FNZ Custodians Limited	8,206	4.1	HSBC Nominees (New Zealand) Limited	7,200	3.6	Citibank Nominees (NZ) Limited	5,325	5.3
Forsyth Barr Custodians Limited	4,924	2.5	JBWERE (NZ) Nominees Limited	4,987	2.5	New Zealand Permanent Trustees Limited	3,530	3.5
JBWERE (NZ) Nominees Limited	3,383	1.7	JPMORGAN Chase Bank	3,300	1.7	JBWERE (NZ) Nominees Limited	1,991	2.0
Citibank Nominees (NZ) Limited	3,000	1.5	NZX WT Nominees Limited	2,928	1.5	Investment Custodial Services Limited	1,243	1.2
JPMORGAN Chase Bank	2,513	1.3	Investment Custodial Services Limited	2,572	1.3	NZX WT Nominees Limited	665	0.7
Biome Trustee Company Ltd	1,900	1.0	Public Trust	2,200	1.1	JPMORGAN Chase Bank	413	0.4
Bank Of New Zealand Wellington Treasury Operations	1,841	0.9	Philip Maurice Carter	1,000	0.5	MT Nominees Limited	375	0.4
Commonwealth Bank of Australia	1,498	0.8	HSBC Nominees (NZ) Limited	1,000	0.5	Woolf Fisher Trust Inc	240	0.2
Dunedin City Council	1,400	0.7	Lode Roger Missiaen	650	0.3	Malaghan Institute Of Medical Research Trust Board	150	0.2
NZX WT Nominees Limited	1,341	0.7	Public Trust RIF Nominees Limited	570	0.3	Wellspring Television Limited	138	0.1
Philip Maurice Carter	1,000	0.5	McMillan Nominees Limited	500	0.3	William Thomas Cooney	125	0.1
MT Nominees Limited	800	0.4	Malaghan Institute Of Medical Research Trust Board	500	0.3	William Edward Flack & Shelley Lee Flack	100	0.1



Financial performance

For the year ended 30 June 2026

Contents

Consolidated financial statements

Statement of comprehensive income	72
Statement of financial position	73
Statement of changes in equity	74
Cash flow statement	75
Cash flow statement reconciliation	75

Notes to the consolidated financial statements

About this report	76
-------------------	----

A: Financial performance 77

A1. Operating revenue	77
A2. Deferred income	78
A3. Operating expenses	78
A4. Auditor's remuneration	79
A5. Taxation	80
A6. Segment performance	81

B: Assets 82

B1. Property, plant and equipment	82
B2. Intangible assets	84
B3. Inventory	84

C: Funding 85

C1. Share capital	85
C2. Net tangible assets per share	85
C3. Dividends	85
C4. Borrowings	85
C5. Lease liabilities	87
C6. Interest expense	87

D: Financial instruments used to manage risk 88

D1. Financial risk management	88
D2. Liquidity risk	90
D3. Interest rate risk	91
D4. Credit risk	92
D5. Insurance coverage	92
D6. Derivative financial instruments	93
D7. Impact of derivatives on the income statement and equity	94

E: Other disclosures 95

E1. NZPCL debt and investment	95
E2. Investments	95
E3. Provisions	96
E4. Trade receivables and other assets	97
E5. Trade and other payables	97
E6. Related parties	98
E7. Contingencies	99
E8. Subsequent events	99

Statement of comprehensive income

For the year ended 30 June 2026

Group (\$m)	Notes	2026	2025
Operating revenue	A1	1,150	986
Operating expenses	A3	(446)	(420)
Earnings before interest, tax, depreciation, amortisation, asset write-offs, impairment and changes in the fair value of financial instruments (EBITDAIF)		704	566
Depreciation, amortisation, asset write-offs and impairment	B1	(326)	(303)
Interest revenue		18	19
Interest expense	C6	(186)	(142)
Net profit before tax and changes in the fair value of financial instruments		210	140
Gain in the fair value of financial instruments	D7	34	9
Net profit before tax		244	149
Income tax expense	A5	(68)	(42)
Net profit		176	107
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		176	107

Group (\$m)	Notes	2026	2025
Other comprehensive income / (expense)			
<i>Items that will not be reclassified to profit or loss net of tax</i>			
Net (loss) / gain on credit spread changes on own debt	D7	(19)	1
<i>Items that may be reclassified to profit or loss net of tax</i>			
Net gain / (loss) on cash flow hedges	D7	2	(89)
Other comprehensive income / (expense)		(17)	(88)
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		(17)	(88)
Total comprehensive income / (expense)		159	19
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		159	19

These statements are to be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2026

Group (\$m)	Notes	2026	2025
Current assets			
Cash and cash equivalents		374	673
Trade receivables and other assets	E4	173	105
Inventory	B3	51	3
Derivative financial instruments	D6	50	16
		648	797
Non-current assets			
Trade receivables and other assets	E4	10	9
Investments	E2	26	11
Derivative financial instruments	D6	396	254
NZPCL investment	E1	99	91
Property, plant and equipment	B1	5,926	5,622
Intangible assets	B2	410	426
		6,867	6,413
Total assets		7,515	7,210
Current liabilities			
Trade and other payables	E5	372	284
Tax payable		18	4
Deferred income	A2	1	1
Derivative financial instruments	D6	43	29
Provisions	E3	16	11
Borrowings	C4	800	894
Lease liabilities	C5	10	9
		1,260	1,232

Group (\$m)	Notes	2026	2025
Non-current liabilities			
Deferred income	A2	337	243
Derivative financial instruments	D6	19	32
Provisions	E3	18	35
Borrowings	C4	3,348	3,240
NZPCL debt	E1	100	92
Lease liabilities	C5	77	80
Deferred tax	A5	650	617
		4,549	4,339
Total liabilities		5,809	5,571
Equity			
Capital	C1	1,200	1,200
Retained earnings		536	471
Cash flow hedge reserve	D7	(29)	(31)
Non-controlling interest	E1	(1)	(1)
Total equity		1,706	1,639
Total funds employed		7,515	7,210

The Board of Directors of Transpower New Zealand Limited authorised these financial statements for issue on 27 August 2026.

For, and on behalf of, the Board



Michele Embling
Chair



Kevin Palmer
Chair of Audit & Risk Committee

These statements are to be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2026

Group (\$m)	Notes	Ordinary shares	Retained earnings	Cash flow hedge reserve	Owners of the Parent	Non controlling interest	Total
Equity at 1 July 2024		1,200	477	58	1,735	(1)	1,734
Net profit		-	107	-	107	-	107
Other comprehensive income / (expense)		-	1	(89)	(88)	-	(88)
Total comprehensive income / (expense)		-	108	(89)	19	-	19
Dividends paid	C3	-	(114)	-	(114)	-	(114)
Total equity at 30 June 2025		1,200	471	(31)	1,640	(1)	1,639
Net profit		-	176	-	176	-	176
Other comprehensive income / (expense)		-	(19)	2	(17)	-	(17)
Total comprehensive income / (expense)		-	157	2	159	-	159
Dividends paid	C3	-	(92)	-	(92)	-	(92)
Total equity at 30 June 2026		1,200	536	(29)	1,707	(1)	1,706

These statements are to be read in conjunction with the accompanying notes.

Cash flow statement

For the year ended 30 June 2026

Group (\$m)	Notes	2026	2025
Receipts from customers		1,162	983
Interest received		18	19
Payments to suppliers and employees		(457)	(384)
Tax payments		(16)	(18)
Interest paid		(183)	(110)
Operating cash flows		524	490
Sale of investments		21	29
Purchase of property, plant and equipment and intangibles		(644)	(613)
Purchase of investments		(35)	(12)
Investing cash flows		(658)	(596)
Proceeds from bonds, term debt and commercial paper		727	1,103
Net collateral received	E5	90	129
Dividends paid	C3	(92)	(114)
Payment of lease liabilities		(10)	(9)
Repayment of bonds, term debt and commercial paper		(880)	(448)
Financing cash flows		(165)	661
Net increase / (decrease) in cash flow		(299)	555
Cash at the beginning of year		673	118
Cash at the end of year		374	673
Cash comprises:			
Bank balances and on-call deposits		210	299
Short-term deposits with original maturity less than three months		160	370
Restricted cash – bond and retention		4	4

These statements are to be read in conjunction with the accompanying notes.

Cash flow statement reconciliation

A reconciliation of net profit to operating cash flows is provided below:

Group (\$m)	Notes	2026	2025
Net profit		176	107
Add / (deduct) non-cash items:			
(Gain) in the fair value of financial instruments		(34)	(9)
Depreciation, amortisation, asset write-offs and impairment		326	303
Deferred tax		39	26
Capitalised interest	C6	(16)	(13)
Movements in working capital items:			
(Increase)/decrease in trade and other receivables		(19)	(10)
(Increase)/decrease in inventory		(48)	1
(Increase) in prepayments		(3)	-
Increase/(decrease) in trade and other payables, interest payable and deferred income		98	90
Increase/(decrease) in taxation payable		14	(2)
Increase/(decrease) in provisions		(9)	(3)
Operating cash flows		524	490

Transpower Group information

Reporting entity

These financial statements are for Transpower New Zealand Limited (Transpower) and its subsidiaries (together, "the Group"). Transpower is a state-owned enterprise registered in New Zealand under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013.

The Group is the owner and operator of New Zealand's national electricity grid and its operations are not considered seasonal or cyclical in nature.

Basis of preparation

Transpower's financial statements are prepared:

- in accordance with New Zealand generally accepted accounting practice (GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (IFRS) and IFRS as appropriate for profit-oriented entities;
- in accordance with the requirements of the Financial Markets Conduct Act 2013 and the State-Owned Enterprise Act 1986;
- in millions of New Zealand dollars (NZD), unless otherwise noted;
- on a historical cost basis, except for certain investments and financial instruments held at fair value;
- exclusive of GST, with the exception of receivables and payables;
- using the same accounting policies for all reporting periods presented.

Material accounting estimations and judgements

Accounting estimates and information about judgements that have had a material effect on the amounts recognised in the financial statements are disclosed in the following notes:

- | | |
|---------------------------------------|----|
| i. Property, plant and equipment | B1 |
| ii. Lease liabilities | C5 |
| iii. Derivative financial instruments | D6 |

New accounting standards

All mandatory amendments and interpretations have been adopted in the current year. None have had a material impact on these financial statements.

New standards, interpretations and amendments not yet effective

The following standards have been issued by the New Zealand Accounting Standards Board, and are effective in future accounting periods:

NZ IFRS 18: Presentation and Disclosure in Financial Statements

The Group has elected not to early adopt this standard, which is effective from 1 July 2027. The standard is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Group is currently assessing the impact of this standard on its financial reporting.

IFRS 20: Regulatory Assets and Regulatory Liabilities

IFRS 20 Regulatory Assets and Regulatory Liabilities was issued by the International Accounting Standards Board in May 2026 and is effective for reporting periods beginning on or after 1 January 2029. The standard introduces requirements for the recognition, measurement, presentation and disclosure of regulatory assets, regulatory liabilities, regulatory income and regulatory expense arising from specified rate-regulated activities.

The Group is currently assessing the impact of adopting IFRS 20. Given the regulated nature of Transpower's transmission services and pricing arrangements, the standard is expected to result in the recognition of regulatory assets and regulatory liabilities associated with timing differences between when regulated goods and services are provided and when related amounts are recovered from or returned to customers through future transmission charges. The adoption of IFRS 20 is therefore expected to affect the presentation, recognition and measurement of the Group's financial position and financial performance, however, the Group has not yet quantified the impact of initial application.

Non-GAAP measures

Transpower uses non-GAAP measures that are not in accordance with NZ IFRS. These non-GAAP measures provide useful information to users of the financial statements to assist in understanding financial performance. These measures are also used internally to evaluate performance and have been consistently applied.

Non-GAAP measures included in these financial statements are:

- **EBITDAIF** – Earnings before interest, tax, depreciation, amortisation, asset write-offs, impairment and changes in the fair value of financial instruments. EBITDAIF adds back interest, depreciation, amortisation, asset write-offs and impairment to earnings before tax and changes in the fair value of financial instruments.
- **Net tangible assets per share** – The net tangible asset calculation divides tangible assets, being total equity less intangible assets, by the total number of shares on issue.

A: Financial performance

A1. Operating revenue

Group (\$m)	2026	2025
Transmission revenue		
Interconnection	828	751
Connection	154	130
EV charge / (rebate)	34	(8)
Other regulated transmission	2	4
Insurance recoverable	3	-
Customer investment contracts	48	35
Undergrounding and transmission realignment	3	4
Other transmission	11	9
Total transmission revenue	1,083	925
Other revenue		
System Operator	56	50
Other	11	11
Total other revenue	67	61
Total operating revenue	1,150	986

Description

Transmission revenue is regulated and set by the Commerce Commission (the Commission). It consists of charges for the transmission of electricity from the point of generation to the point of supply, being high voltage alternating current (HVAC) interconnection, connection and high voltage direct current (HVDC).

Customer investment contracts are entered into with customers to build grid connection assets.

Undergrounding and transmission realignment contracts are entered into with third parties to underground and/or realign certain transmission line assets.

System operator income relates to payments received to operate the electricity market.

Included in "Other revenue" is \$3m (2025: \$3m) subject to the Telecommunications Development Levy.

Accounting policies

The key revenue recognition criteria are as follows:

Transmission revenue and system operator revenue	On a monthly basis as services are delivered to customers.
Customer investment contracts	Assets built for customers, which are owned by Transpower, which provides services over the life of the asset, being the monthly transmission of electricity. Revenue is grossed up for an imputed interest expense and recognised over the expected life of the related customer assets, irrespective of contract durations, which can vary from up-front to 50 years.
Undergrounding and transmission realignment – Government	In accordance with NZ IAS 20 Government Grants, revenue is grossed up for an imputed interest expense and recognised over the life of the related transmission assets.
Undergrounding and transmission realignment – non-Government	Recognised at the time transmission assets are commissioned. The decommissioned transmission assets are then immediately written-off.
Wholesale market-related ancillary services, losses and constraint payments	Transactions are treated as "pass-through" and are not recorded in profit or loss. Pass-through occurs because Transpower is deemed to act only as an agent. Similarly, Transpower acts as agent relating to its natural gas and carbon market operations.
Insurance recoverable	Recognised when realisation is virtually certain.

A2. Deferred income

Group (\$m)	2026	2025
Customer investment contracts	292	198
Undergrounding and transmission realignment	43	42
Other	3	4
Total deferred income	338	244
Current portion	1	1
Non-current portion	337	243
Total deferred income	338	244

A reconciliation of deferred income as it relates to revenue is shown below for the two material categories:

Group (\$m)	2026		2025	
	Customer investment contracts	Undergrounding and transmission realignment	Customer investment contracts	Undergrounding and transmission realignment
As at 1 July	198	42	168	41
Advance payments from customers	130	1	54	1
Net revenue recognised in the year from				
Amounts included in the contract liability at the beginning of the year	(1)	-	(1)	-
Advance payments applied to current year	(35)	-	(23)	-
As at 30 June	292	43	198	42

A3. Operating expenses

Group (\$m)	2026	2025
Grid maintenance		
Substations maintenance – HVAC	59	59
Substations and cables maintenance – HVDC	15	16
Lines maintenance – HVAC	54	52
Lines maintenance – HVDC	8	4
Transmission-related rates	9	8
Other	10	9
	155	148
IST maintenance and operations		
Support and maintenance	27	19
Outsourced services	22	20
Licences	19	16
Other IST	2	2
	70	57
Other operating expenses		
Investigations	31	34
Ancillary service costs	4	6
Employee benefits	188	170
Capitalised salary costs	(46)	(40)
Salary transferred to investigations	(10)	(11)
Net contractors and consultants	17	13
Industry levies	10	15
Insurance	9	9
Travel and vehicle costs	4	4
Other business support costs	14	15
	221	215
Total operating expenses	446	420

Description

Grid maintenance includes inspection, servicing and repair costs. Other grid maintenance expenses include maintenance support, communication systems costs and training for service providers and third parties.

Information Service Technology (IST) maintenance and operations expenses include system and software support, configuration and customisation of cloud-based service arrangements, software license fees and service lease charges.

Investigations include work conducted prior to the commencement of a capital project, updates to maintenance standards and demand-response costs.

Other business support costs include lease expenses relating to short-term leases and low-value assets, legal fees, office equipment and communications.

A4. Auditor's remuneration

Fees paid to Transpower's auditor (Ernst & Young) were \$1,025,000 (2025: \$981,000).

Group (\$000)	2026	2025
Audit and review of the statutory financial statements		
Year-end audit	573	567
Review of the half year financial statements	68	66
	641	633
Audit or review related services required by legislation to be provided by the auditors		
Independent assurance of Transpower's Trust deed requirements ¹	8	8
Reasonable assurance engagement on Risk Reinsurance Limited (RRL) annual solvency return	20	20
Annual regulatory disclosure assurance engagement	192	174
Climate related disclosures – limited assurance	144	64
	364	266
Other services		
Acquisition of remuneration benchmarking reports ²	8	5
Climate-related disclosure pre-assessment ³	-	65
Independent review of Transpower's Commercial Value financial model	12	12
	20	82
Total auditor's remuneration	1,025	981

1. Trust deed requirements include fees to review Directors' certificates in relation to debt held against one trust deed.

2. The provision of the remuneration benchmarking reports, which provide market-based sector information and no specific recommendations to Transpower, is not considered to impact on auditor independence.

3. Review of data and processes against requirements of NZCS1 and NZCS3 to prepare Transpower for future assurance requirements that will be required to be completed by the auditors.

A5. Taxation

Reconciliation to profit before tax

Group (\$m)	2026	2025
Net profit before tax	244	149
Income tax at 28%	68	42
Total income tax expense	68	42
<i>Comprising</i>		
Current	29	16
Deferred	39	26

Description

There are no unrecognised deferred tax balances (2025: nil).

Accounting policies

Deferred tax arises from differences between the accounting and tax values of assets and liabilities, except where the initial recognition exemption applies.

For property, plant and equipment, deferred tax typically arises from the accounting book including capitalised interest, differences in depreciation rates between tax and accounting and the capital contribution rules.

Deferred tax assets and liabilities are offset only if there are legally enforceable rights to set off current tax assets against current tax liabilities and when they relate to the same taxable entity and taxation authority.

Imputation credits

The imputation credit balance at 30 June 2026 is \$28 million (2025: \$10 million).

Deferred tax

Group (\$m)	As at 1 July 2024	Recognised in profit or loss	Recognised in OCI	As at 30 June 2025	Recognised in profit or loss	Recognised in OCI	As at 30 June 2026
Property, plant and equipment	643	23	-	666	31	-	697
Fair value of net debt and derivatives	6	2	(35)	(27)	9	(6)	(24)
Deferred income	(3)	-	-	(3)	(1)	-	(4)
Dismantling provision	(5)	(1)	-	(6)	-	-	(6)
Other	(15)	2	-	(13)	-	-	(13)
Total deferred tax	626	26	(35)	617	39	(6)	650

A6. Segment performance

The Group's segments are:

- **Transmission** – the transmission of electricity from the point of generation to the point of connection.
- **System operator** – operates the electricity market to dispatch generation to ensure the short term security of the New Zealand electricity system.
- **Other** – includes RRL, which provides insurance services for the Group, as well as revenue from energy market services and fibre lease services.

External revenue is derived from New Zealand customers and assets based in New Zealand. The Group has no other reportable segments.

Group (\$m)	Transmission		System Operator		Other		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
External revenue	1,083	925	56	50	11	11	1,150	986
Capital expenditure	627	589	17	11	-	-	644	600

Major customers

External customers that contribute 10% or more of total Group revenue are:

Customer	% of Group Revenue	Segment
Vector Limited	20(2025:20)	Transmission
Powerco Limited	10(2025:10)	Transmission

B: Assets

B1. Property, plant and equipment

Group (\$m)	HVAC transmission lines	HVDC transmission lines	HVAC substations	HVDC substations and submarine cables	Communi- cations	Administration assets	Right-of-use lease assets	Work in progress	Total property, plant and equipment
At 30 June 2026									
Cost	3,540	184	3,662	971	528	296	167	374	9,722
Accumulated depreciation	(1,230)	(87)	(1,278)	(564)	(373)	(192)	(72)	-	(3,796)
Net book value	2,310	97	2,384	407	155	104	95	374	5,926
Comprising									
Opening net book value	2,178	100	2,290	422	164	80	100	288	5,622
Additions	-	-	-	-	-	-	8	566	574
Reclassification from intangible assets	-	-	-	-	-	-	-	19	19
Transfers from work in progress	229	2	195	13	20	39	-	(498)	-
Disposals	(1)	-	(5)	-	(1)	-	-	(1)	(8)
Depreciation	(96)	(5)	(96)	(28)	(28)	(15)	(13)	-	(281)
Closing net book value	2,310	97	2,384	407	155	104	95	374	5,926
At 30 June 2025									
Cost	3,323	183	3,484	959	515	259	161	288	9,172
Accumulated depreciation	(1,145)	(83)	(1,194)	(537)	(351)	(179)	(61)	-	(3,550)
Net book value	2,178	100	2,290	422	164	80	100	288	5,622
Comprising									
Opening net book value	2,122	102	2,115	416	168	56	105	240	5,324
Additions	3	-	6	1	-	-	7	549	566
Transfers from work in progress	143	3	263	31	23	37	-	(500)	-
Disposals	(2)	-	(2)	-	(1)	-	-	(1)	(6)
Depreciation	(89)	(5)	(91)	(26)	(26)	(13)	(12)	-	(262)
Impairment reversal/(expense)	1	-	(1)	-	-	-	-	-	-
Closing net book value	2,178	100	2,290	422	164	80	100	288	5,622

Land and buildings are contained within the above classes and have a net book value of \$353 million (2025: \$306 million).

Right-of-use lease assets primarily relate to the lease of fibre optic cables for Transpower's communication network, property leases for office buildings and IT data centres.

Depreciation, amortisation, write-offs and dismantling

Group (\$m)	2026	2025
Depreciation	281	262
Amortisation	33	32
Net loss on disposal	8	4
Dismantling expense	4	5
	326	303

Work in progress is split into the following classes:

Group (\$m)	2026	2025
HVAC transmission lines	85	64
HVAC substations	164	160
HVDC substations and submarine cables	67	39
Communications	52	2
Other	6	23
	374	288

Capital Commitments

At 30 June 2026, Transpower has \$257 million of property, plant and equipment commitments (2025: \$296 million), of which \$239 million is due within one year of balance date (2025: \$267 million).

Accounting policies

Property, plant and equipment is initially measured at cost and subsequently stated at cost less accumulated depreciation and any impairment losses. Cost is determined by including all costs directly associated with bringing the assets to their location and condition for use. Finance costs incurred during construction are capitalised to the total cost of assets. Assets are transferred from work in progress to property, plant and equipment at cost as they become operational and available for use.

The carrying amounts of property, plant and equipment assets are reviewed annually for any indications of impairment. If any indication exists, the recoverable amount of the asset or cash generating unit is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount for regulated assets is equal to the regulatory book value for revenue recovery purposes. There has been no impairment to the regulatory asset base for the year ended 30 June 2026 (2025: nil).

For unregulated assets, Transpower tests for indicators of impairment, such as deterioration in the credit worthiness of the customer, and any indicated factors in pricing the future cash flows Transpower expects to receive. For the year ended 30 June 2026, there has been no impairment or impairment reversal in relation to unregulated assets (2025: nil).

Depreciation

Depreciation of property, plant and equipment is on a straight-line basis. This allocates the cost, less any residual value, over an asset's estimated useful life. The residual value and useful lives are reviewed, and, if appropriate adjusted at each balance date. The estimated weighted average of useful lives is as follows:

HVAC transmission lines	58 years
HVAC transmission high voltage cables	45 years
HVAC transmission lines (tower painting)	15 years
HVAC substations	43 years
HVDC substations (including submarine cables)	28 years
HVDC transmission lines	55 years
Communication assets	15 years
Administration assets	18 years
Right-of-use assets	9–20 years

Key judgements and estimates

Transpower has exercised judgement in the following areas:

1. Determining the estimated remaining useful lives of assets and whether any indications of impairment exist. Transpower uses assistance from independent engineers to determine useful lives. For transmission line assets, the proximity to the coastline is a key assumption.
2. Whether or not an item is capital in nature and the appropriate component level of asset at which to depreciate.
3. Determining the appropriate time to commission an asset and commence depreciation.
4. Determination of whether or not a right-of-use asset exists through assessment of contractual arrangements.
5. Where a lease contract contains options to extend or terminate the lease, consideration of the likelihood of exercising the options based on past practice.

B2. Intangible assets

Group (\$m)	Easements and right-to-access	Software and other intangibles	Work in progress	Total intangible assets
At 30 June 2026				
Cost	316	573	17	906
Accumulated amortisation	(9)	(487)	-	(496)
Net book value	307	86	17	410
Comprising				
Opening net book value	303	71	52	426
Additions	-	-	36	36
Reclassification to property, plant and equipment	-	-	(19)	(19)
Transfers from work in progress	5	47	(52)	-
Amortisation	(1)	(32)	-	(33)
Closing net book value	307	86	17	410
At 30 June 2025				
Cost	311	529	52	892
Accumulated amortisation	(8)	(458)	-	(466)
Net book value	303	71	52	426
Comprising				
Opening net book value	303	78	26	407
Additions	-	-	51	51
Transfers from work in progress	-	25	(25)	-
Amortisation	-	(32)	-	(32)
Closing net book value	303	71	52	426

The most significant right-to-access asset relates to the 2011 purchase of access rights to the Vector Tunnel in Auckland for \$50 million.

Capital commitments

At 30 June 2026, Transpower has \$4 million of intangible asset commitments (2025: \$8 million), all of which are due within one year of balance date (2025: \$8 million).

Accounting policies

The cost of acquiring a finite-life intangible asset is amortised on a straight line basis from the date the underlying asset is ready for use over the period of its expected benefit. Assets are transferred from work in progress to intangible assets at cost as they become operational and available for use. Easements are deemed to have an indefinite useful life and are tested for impairment annually. Certain easements have been donated by the Crown and are recognised at cost (nil) plus any direct cost associated with putting the easement in place.

The estimated useful lives are as follows:

Software	4–7 years (2025: 5–8 years)
Right-to-access asset	90 years

Emissions units acquired are carried at cost less any accumulated impairments. For the year ended 30 June 2026, no impairment loss was recognised in relation to emissions units (2025: nil).

B3. Inventory

Group (\$m)	2026	2025
Substation materials	25	2
Protection materials	9	-
Transmission line materials	17	1
Total inventory	51	3
Comprising		
Current	51	3
Non-current	-	-

Inventory is held to support the timely delivery of network replacement and refurbishment activities and increased during FY26 to support the growing work programme and mitigate global supply chain risks.

During the 2026 financial year, \$5m (2025: \$5m) of inventory was recognised as an expense. This represents the carrying amount of inventory consumed during the year. Stocktakes identified some obsolete materials and a write-off of \$0.2m for these items was recognised (2025: \$0.2m).

Accounting policies

Inventory is measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method and includes costs directly attributable to bringing inventory to its present location and condition. Inventory is recognised as an expense when consumed, unless incorporated into a capital project, in which case the cost is capitalised as part of the related asset.

C: Funding

C1. Share capital

Transpower has 1,200,000,000 issued and fully paid \$1 ordinary shares (2025: same).

Under the State-Owned Enterprises Act 1986, Transpower's ordinary shares are held equally by the Minister of Finance and the Minister for State-Owned Enterprises.

C2. Net tangible assets per share

Group (\$m)	Note	2026	2025
Net assets / (equity)		1,706	1,639
Less intangible assets	B2	(410)	(426)
Total net tangible assets		1,296	1,213
Net tangible assets per share (\$)		1.08	1.01

Net tangible assets per share is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS.

C3. Dividends

Dividends declared and paid	2026		2025	
	(\$m)	cents per share	(\$m)	cents per share
Final dividend paid	72	6	66	6
Interim dividend paid	20	2	48	4
	92	8	114	10
Final dividend declared	30	2.5	72	6

On 27 August 2026, the Directors approved the payment of the final dividend of \$30 million. The dividend will be fully imputed and is expected to be paid on 21 September 2026.

C4. Borrowings

Facilities

The Group has three borrowings programmes. Under these programmes, the aggregate principal amount outstanding may not exceed the following:

Group (\$m)	Issuance currency	Foreign currency equivalent	NZ\$m	Utilised NZ\$m
Domestic medium term note programme	NZD	-	No set limit	1,052
Domestic commercial paper programme	NZD	-	500	50
Australian medium term note programme	AUD	1,000	1,219	840

As at 30 June 2026 the Group has committed standby facilities totalling NZ\$600 million (all undrawn) maturing between 31 December 2026 to 31 December 2027, and bank facilities totalling \$350 million (NZ\$100 million drawn and \$250 million undrawn) maturing between 30 June 2027 and 1 March 2030 (2025: \$500 million committed standby facilities all undrawn).

Green financing

Transpower's Green Finance Framework ("Framework") supports Transpower's commitment to achieve a net-zero carbon transmission grid. Transpower has achieved a Programmatic Certification with the Climate Bonds Standard.

The Framework covers both existing and future issuances of Transpower's borrowings, the proceeds of which are allocated to finance or refinance Eligible Green Assets – Transpower's transmission lines and substations, key enabling infrastructure in supporting the increasing take up of renewable generation in New Zealand.

The following instruments, excluding the Domestic Commercial Paper, are all certified as Green Financing Instruments under the Framework.

Group (\$m)	Issuance	Maturity	Coupon (%)	2026	2025
Domestic Commercial Paper					
NZ Issue	NZ\$175	26-Aug-25	4.27	-	174
NZ Issue	NZ\$50	25-Sep-26	2.75	50	-
Domestic Bank Loans and Drawn Facilities					
NZ Loan	NZ\$225	28-Jun-27	BKBMBID+0.40	225	-
NZ Drawn facilities	NZ\$100	01-Mar-30	BKBMBID+0.45	100	-

Group (\$m)	Issuance	Maturity	Coupon (%)	2026	2025
Domestic Bonds and Notes					
Bonds 2025	NZ\$450	04-Sep-25	1.74	-	451
Bonds 2026	NZ\$150	08-Apr-26	1.52	-	148
Bonds 2026	NZ\$200	08-Sep-26	2.05	201	198
Bonds 2026	NZ\$200	14-Sep-26	BKBM+0.37	200	201
Bonds 2027	NZ\$200	16-Sep-27	4.63	205	207
Bonds 2028	NZ\$100	15-Mar-28	5.89	106	107
Bonds 2028	NZ\$125	31-Jul-28	BKBM+0.52	126	-
Unlisted Notes 2029	NZ\$57	09-Mar-29	3.56	57	-
Unlisted Notes 2029	NZ\$70	18-Jun-29	3.73	70	-
Bonds 2030	NZ\$100	31-Jul-30	4.22	102	-
Australian Medium Term Notes					
AUD MTN 2028	AU\$200	29-Nov-28	4.98	246	223
AUD MTN 2030	AU\$300	30-Jun-30	5.23	370	338
AUD MTN 2032	AU\$270	12-Mar-32	5.00	332	302
Swiss Bonds					
CHF MTN 2027	CHF125	16-Dec-27	0.02	271	256
CHF MTN 2029	CHF160	16-Mar-29	0.04	344	326
CHF MTN 2030	CHF120	04-Feb-30	0.82	265	252
CHF MTN 2031	CHF150	21-Mar-31	1.35	338	323
CHF MTN 2033	CHF130	04-Feb-33	1.01	287	273
US Private Placement					
USPP 2026	US\$75	28-Jun-26	2.81	-	121
USPP 2026	US\$70	13-Oct-26	3.83	124	115
USPP 2028	US\$75	28-Jun-28	2.91	129	119
Carrying value of borrowings				4,148	4,134
<i>Comprising</i>					
Current				800	894
Non-current				3,348	3,240

The effective interest rate on borrowings, including the effect of all derivative financial instruments, was 4.75% (2025: 3.71%).

Total debt, net of cash and short-term deposits held for the purpose of managing debt refinancing, maturing in the 12 month period is \$820 million (2025: \$535 million), within the policy threshold of not exceeding 25% of the hedged face value of outstanding debt. The face value of all borrowings, after adjusting foreign borrowings for related cross-currency interest rate swaps is \$3,665 million, (2025: \$3,823 million). The contractual amount Transpower is required to repay is disclosed as "issuance" in the table to the left and may be greater than the fair value presented in the financial statements.

Changes in borrowings	2026	2025
As at 1 July	4,134	3,254
Net cash borrowed / (repaid)	(153)	655
Non-cash change in fair value adjustment through P&L	140	229
Non-cash change in fair value adjustment through OCI	26	(1)
Other	1	(3)
As at 30 June	4,148	4,134

Fair value changes in the table above include foreign exchange movements. The cumulative change in fair value of debt that is attributable to changes in Transpower's own credit risk is an increase of \$27 million (2025: decrease of \$1 million).

Accounting policies

Debt is designated as fair value through profit or loss. Fair value movements relating to changes in Transpower's own credit risk are recognised through other comprehensive income.

Fair values of borrowings are determined by converting currency exposures and discounting cash flows based on the relevant yield curve. The yield curve is adjusted to reflect the credit risk of Transpower. These valuations are considered level two in the fair value hierarchy. There has been no movement between levels during the year.

C5. Lease liabilities

Group (\$m)	2026	2025
As at 1 July	89	91
Additions	8	7
Accretion of interest	3	3
Payments	(13)	(12)
As at 30 June	87	89
<i>Comprising</i>		
Current	10	9
Non-current	77	80

For the year ended 30 June 2026, \$2 million (2025: \$2 million) is included in operating expenses relating to short-term leases and low-value assets.

Total cash outflow for capital and operating leases was \$16 million (2025: \$15 million).

Accounting policies

Lease liabilities are recognised based on the present value of the remaining lease payments, including lease renewals that are deemed reasonably certain to be exercised. Transpower uses the incremental borrowing rate at the lease commencement date to calculate the present value of lease payments.

Key judgements and estimates

Transpower has exercised judgement in the following areas:

1. Where a lease contract contains options to extend or terminate the lease, consideration of the likelihood of exercising the options based on past practice; and
2. Use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

C6. Interest expense

Group (\$m)	2026	2025
Interest expense and associated fees	183	138
Capitalised interest	(16)	(13)
Lease interest	3	3
Imputed interest	16	14
	186	142

Description

Capitalised interest is based on Transpower's forecast weighted average cost of borrowing, being 4.70% for the year ended 30 June 2026 (2025: 3.31% from 1 July to 31 March and 5.08% from 1 April to 30 June).

Imputed interest arises on deferred income and the unwinding of the discount of future cash flows related to provisions.

D: Financial instruments used to manage risk

D1. Financial risk management

Transpower's activities expose it to a variety of financial risks, including liquidity risk, interest rate risk, currency risk, credit risk, regulatory risk, climate change risk and insurance risk. The Board has established policies that provide an overall risk management framework.

Transpower manages capital to maintain its strong credit rating and to have sufficient capital available to meet its financing and operating requirements. Transpower's capital management policies and committed funding facilities, together with the reliability and predictability of transmission revenues support the Group operating with a working capital deficit when required. Surplus equity is returned by way of dividends to shareholder.

Transpower's investment grade credit rating is Standard & Poor's Global Ratings: AA (2025: AA).

A summary of the financial risks that impact the Group, how they arise and how they are managed is presented in this section:

Nature and exposure	Note	How the risk is managed
Liquidity risk The risk the Group is not able to meet its financial obligations as they fall due. This might result from the Group not maintaining adequate funding facilities or being unable to refinance existing maturities.	D2	The Group's policy requires the total amount of debt, net of cash and short-term deposits held for the purpose of managing debt refinancing, maturing in any 12-month period to not exceed 25 per cent of Transpower's outstanding debt. In addition, the Group maintains access to committed funding facilities in excess of borrowings that mature in the next six months and forecast cumulative operating and capital expenditure requirements. As at 30 June 2026 the Group has committed standby facilities totalling NZ\$600 million (all undrawn) maturing between 31 December 2026 to 31 December 2027, and bank facilities totalling \$350 million (NZ\$100 million drawn and \$250 million undrawn) maturing between 30 June 2027 and 1 March 2030 (2025: \$500 million committed standby facilities all undrawn).
Interest rate risk Transpower is exposed to interest rate risk through its borrowing at both fixed and floating interest rates. Changes in market interest rates expose the Group to changes in: - future interest payments on borrowings subject to floating interest rates (cash flow risk); and - the fair value of borrowings subject to fixed interest rates (fair value risk).	D3, D6	The Group uses interest rate derivatives to provide certainty of interest rates and costs during Regulatory Control Periods. The Group's policy sets minimum and maximum hedging parameters expressed as a percentage of forecast debt. Interest rate swaps and options are used to change the interest rate profile on existing and forecast debt and cross-currency interest rate swaps entered into.
Currency risk The Group is exposed to currency risk as a result of borrowings and operational transactions being denominated in a currency other than the Group's functional currency.	D6	Operational transactions: The Group uses foreign exchange contracts to manage foreign exchange risk on operational transactions in accordance with the Group's Treasury policy. Foreign exchange forwards are used to hedge the value back to New Zealand dollars. Overseas borrowings: The Group uses cross-currency interest rate swaps to manage foreign exchange risk on foreign currency borrowings. All interest and principal repayments are hedged. The combination of the foreign-denominated debt and cross-currency interest rate swaps results in a net exposure to New Zealand dollar floating interest rates and a fixed New Zealand dollar-denominated principal repayment. The New Zealand dollar floating interest rate risk is managed using the process described in the interest rate risk section above.

Nature and exposure	Note	How the risk is managed
Credit risk Credit risk is the risk that a counterparty will default on its financial obligations. Transpower's credit risk arises from its investments, financial derivatives and accounts receivable.	D4	Cash and cash equivalents and financial derivative contracts: These are managed by dealing with financial institution counterparties with a minimum long-term credit rating of "A, stable" or better (S&P Global Ratings, or Moody's or Fitch equivalent) and adopting counterparty credit limits. Credit ratings and credit exposures are continuously monitored. Regulated revenues/customers: Transpower recovers the value of regulated transmission assets in accordance with the Commission's input methodology. The effect of the regulations is that a customer default would result in Transpower recovering any revenue shortfall from all other transmission customers. Customer investment contracts: Risk is minimised through requiring upfront cash payments, applying credit limits and appropriate credit management practices, mitigating risks to acceptable levels and monitoring exposures.
Insurance risk: Insurance risk is the risk the Group is unable to acquire sufficient cover in the event of asset loss.	D5	Along with external insurance, Transpower operates a captive insurance company through its subsidiary Risk Reinsurance Limited (RRL). RRL maintains an investment portfolio to meet potential insurance claims.
Regulatory risk: Transpower is a natural monopoly that is regulated by the Commission and the Authority. The Commission: Transpower is regulated by the Commission under Part 4 of the Commerce Act and is subject to information disclosure and individual price-quality path regulation. Non-compliance could result in financial penalties of up to \$5m per breach. Via individual price-quality regulation, the Commission sets Transpower's allowed revenue and required service quality levels, including determining the rate of return that applies to the Group's regulated assets, base expenditure and approval of major capital projects. There is a risk that the rate of return set is too low to adequately compensate Transpower. The operating expenditure and base capital expenditure incentive is approximately 32% on any over- or under-spend against the allowance. In addition, Transpower incurs financial rewards or penalties should it exceed or fail to meet some of its performance targets. The overall value of the service performance incentive is approximately +/- \$18m per annum. The Authority: Oversees and regulates the electricity market. There is a risk that errors by Transpower in its management and operation of the grid and power system could result in breaches of the Electricity Industry Participation Code, which would result in financial penalties of up to \$2m per breach and up to \$10,000 for every day or part of a day during which the breach continues. Additionally, the total liability for all such events within a financial year is capped at \$6m.		Regulatory risk is managed via continuous monitoring, monthly reporting, regular internal and external stakeholder engagement, and active Board and senior management oversight. Transpower's regulatory disclosures are subject to annual independent assurance and Transpower maintains a continuous dialogue with both the Commission and the Authority on regulatory matters. An update of regulatory matters, developments and incentive performance is presented to management each month and Transpower management updates the Board on regulatory matters and major risks as and when required. This enables business decision-making with the most up-to-date regulatory context in mind.
Climate risk: Under our current regulatory settings, the extent of any underestimation of the frequency, severity and cost of remediating climate-related damage is an additional cost over and above the regulatory allowance for such repairs.		Transpower insures to cover ongoing business risks and catastrophic events based on what is considered prudent and in line with good practice. Additionally, the Commission has the capacity to reopen the price path following a catastrophic event.

D2. Liquidity risk

The effective net contractual cash flows in the table below are presented on an undiscounted basis. Where the amount payable/(receivable) is not fixed, the amount disclosed has been determined by applying the applicable swap curve to determine the expected future cash flows.

2026					
Group (\$m)	<1 year	1–2 years	2–5 years	>5 years	Total
Borrowings	903	790	2,135	635	4,463
Borrowings-related derivatives	(18)	(70)	(196)	(49)	(333)
Interest rate swaps (portfolio) – liabilities	34	13	8	-	55
Interest rate swaps (portfolio) – assets	(1)	1	-	-	-
Trade and other payables	372	-	-	-	372
Leases	13	13	29	53	108
Total contractual cash flows	1,303	747	1,976	639	4,665

2025					
Group (\$m)	<1 year	1–2 years	2–5 years	>5 years	Total
Borrowings	993	591	1,620	1,244	4,448
Borrowings-related derivatives	26	2	247	(340)	(65)
Interest rate swaps (portfolio) – liabilities	(2)	-	-	-	(2)
Interest rate swaps (portfolio) – assets	19	23	9	-	51
Trade and other payables	284	-	-	-	284
Leases	12	12	32	55	111
Total contractual cash flows	1,332	628	1,908	959	4,827

D3. Interest rate risk

Transpower groups its interest rate derivative financial instruments into two categories:

- **Borrowings related derivatives** – Interest rate swaps and cross-currency interest rate swaps that relate directly to particular debt issues and convert from fixed to floating interest rates.
- **Portfolio derivatives** – Interest rate swaps that are used to manage the net exposure to interest rate risk to align with regulatory settings and within Board approved hedging policy and profile.

The notional and fair value of interest rate derivatives are below:

Group (\$m)	Currency	Maturity Date	2026		2025	
			Notional value	Fair value	Notional value	Fair value
Borrowings-related derivatives						
Interest rate swaps	NZD	2026–2030	727	(11)	1,100	(4)
Cross-currency interest rate swaps	AUD	2028–2032	840	(89)	840	(15)
	CHF	2027–2033	1,201	(285)	1,201	(197)
	USD	2026–2028	196	(52)	306	(41)
Portfolio derivatives						
Interest rate swaps	NZD	2028	400	-	-	-
Interest rate swaps – cash flow hedge accounted	NZD	2030	4,410	53	4,990	48
Total derivatives fair value (assets) / liabilities			(384)		(209)	

The table below summarises the impact on interest expense and fair value movements resulting from a parallel shift in the interest yield curve by 1%:

Group (\$m)	2026		2025	
Movement in yield curve	+100bp	-100bp	+100bp	-100bp
Impact on pre-tax profit and loss				
Interest expense (annual impact)	(5)	5	(6)	6
Fair value adjustments	-	-	9	(9)
Impact on other comprehensive income				
Fair value increase / (decrease)	142	(148)	168	(177)

D4. Credit risk

Financial derivative contracts

Credit risk arising from financial derivatives is minimised through the set-off provisions contained in the Group's International Swaps and Derivatives Association (ISDA) agreements.

The maximum credit exposure is the net mark-to-market valuation by counterparty where the net valuation is positive, as follows:

Group (\$m)	2026	2025
Cross-currency interest rate swaps	207	124
Foreign exchange forward contracts	5	-
Total	212	124

Regulated customers

Transpower's customers comprise electricity generators, distribution companies and some large industrial users. There is a high concentration of credit risk with respect to trade receivables due to the small number of significant customers. Collateral is held against some of these customers. At 30 June 2026, the collateral held was \$2.8 million (2025: \$2.8 million).

Regulated customer receivable balances greater than 10% of the total trade receivables are:

Group	2026		2025	
	(\$m)	(%)	(\$m)	(%)
Vector Limited	25	15	21	21
Powerco Limited	12	7	11	10

Unregulated customers

The majority of unregulated credit exposure relates to electricity lines companies and electricity generators, most of whom remain financially stable. There is one unregulated customer receivable balance greater than 10% of the total trade receivables balance at year-end, being Datagrid NZ Limited Partnership. The balance of \$51m (31% of total trade receivables) was received in July 2026.

There have been no customer defaults in 2026 (2025: nil).

D5. Insurance coverage

The Group maintains insurance cover through its captive insurance company RRL and external insurance companies. These policies are renewed annually in September.

RRL has assumed the following major insurance risks in 2026 (net of any excess payable) of \$49 million (2025: \$49 million):

Insurance policy

Group (\$m)	Amount insured	Deductible	Externally insured risk	RRL retained risk
HVDC submarine cables	75	-	45	30
Material damage and business interruption	650	1	640	9
Transmission lines	10	-	-	10

D6. Derivative financial instruments

Transpower groups its derivative financial instruments into two categories:

Group (\$m)	2026		2025	
	Asset	Liabilities	Asset	Liabilities
Borrowings related derivatives				
Interest rate swaps (portfolio) – cash flow hedge accounted	1	(54)	-	(46)
Interest rate swaps (portfolio)	14	(3)	12	(11)
Cross-currency interest rate swaps	426	-	254	-
Purchasing related derivatives and hedge commitment				
Foreign exchange forward contracts	5	-	2	(2)
Commitment on fair value hedges	-	(5)	2	(2)
Total derivatives and hedge commitment	446	(62)	270	(61)
<i>Comprising</i>				
Current	50	(43)	16	(29)
Non-current	396	(19)	254	(32)

The interest rate swaps (portfolio) have an average contracted fixed interest rate of 3.90% (2025: 3.73%).

Accounting policies

Derivatives are initially measured at fair value on the date the contract is entered into and are subsequently remeasured to fair value. The gain or loss on remeasurement is recognised in the income statement, unless the derivative is designated in a cash flow hedge, in which case the timing of recognition in the income statement depends on the nature of the designated hedge relationship. Transpower designates derivatives as either:

- Cash flow hedges**, where the derivative is used to manage variability in cash flows relating to recognised borrowings. The effective portion of changes in the fair value of cash flow hedges is recognised in other comprehensive income and accumulates in the cash flow hedge reserve. The ineffective portion of changes in the fair value of cash flow hedges is recognised immediately in the income statement in the change in fair value of financial instruments line. Amounts accumulated in other comprehensive income are reclassified to the income statement in the period when the hedged item is recognised in the income statement. Hedge ineffectiveness in the cash flow hedge accounting relationship can arise from movements in credit risk on hedging instrument counterparties. The Group uses the hypothetical derivative method to measure hedge accounting effectiveness, which compares changes in the fair value of the hedging instruments against changes in the fair value of the related hedged item.
- Fair value hedges** where the derivative is used to manage the variability in the fair value of recognised assets and liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

All derivatives are classified as level two in the fair value hierarchy.

Key judgements and estimations

The fair value of derivatives is determined by converting currency exposures and discounting cash flows based on the relevant yield curve. The yield curve is adjusted to reflect the credit risk of the counterparty to the transaction or the credit risk of Transpower. These valuations are considered level two in the fair value hierarchy. There has been no movement between levels during the year.

Credit spreads are an estimate of the additional premium over the relevant yield curve that would be required by market participants to compensate for the perceived credit risk inherent in the counterparty and transaction. For derivative transactions, the impact of credit spreads is substantially lower than for debt and investment transactions due to the offsetting nature of the cashflows.

D7. Impact of derivatives on the income statement and equity

The tables below provide a breakdown of the change in fair value of financial instruments recognised in the statement of comprehensive income, credit spread on borrowings and a reconciliation of movements in the cash flow hedge reserve:

Group (\$m)	2026	2025
Change in fair value of financial instruments:		
Hedged foreign currency purchase commitment	5	-
Foreign exchange forward contracts	(5)	-
Fair value hedges gain	-	-
Borrowings	(140)	(229)
NZPCL debt and investment	-	-
Cross-currency interest rate swaps	167	182
Interest rate swaps	7	56
Debt and derivatives not designated as hedges gain	34	9
Total change in fair value of financial instruments in the income statement	34	9

The change in fair value of investment that is attributable to changes in the credit risk is a gain of \$0.4 million (2025: \$0.3 million). The fair value movements in the table above do not include interest.

Credit risk components in other comprehensive income

Group (\$m)	2026	2025
Credit spread on debt		
Foreign debt	(21)	3
NZD debt	(5)	(2)
Gross fair value (gain) / loss	(26)	1
Less income tax benefit	7	-
Total change in fair value of financial instruments in other comprehensive income	(19)	1
Reconciliation of movements in the cash flow hedge reserve		
As at 1 July	(31)	58
Effective (loss) on cash flow hedges recognised directly in the cash flow hedge reserve account	3	(124)
Income tax on change in cash flow hedge reserve	(1)	35
As at 30 June	(29)	(31)

E: Other disclosures

E1. NZPCL debt and investment

Group (\$m)	2026	2025
NZPCL – non-current investment	99	91
NZPCL – non-current debt	(100)	(92)
Net investment/(debt)	(1)	(1)

Description

In November 2009, the Group partially terminated the 2003 cross-border lease in respect of the majority of the HVAC transmission assets in the South Island. As a result of the partial termination, the Group has consolidated a special-purpose vehicle, New Zealand Power Cayman 2003-1 Limited (NZPCL). NZPCL has a USD deposit with a financial institution and a USD loan from another financial institution. The cash flows from the deposit and loan offset. However, the deposit and loan are not offset for accounting purposes as the offsetting requirements are not met. No consideration was transferred. The loan to NZPCL is guaranteed by Transpower. This arrangement continues through to 2030.

As Transpower has no legal ownership interest in NZPCL, the net liabilities and any movements in net liabilities are recognised as a non-controlling interest. The substance of the transaction is such that Transpower rather than the non-controlling interest would be responsible for any shortfall between the value of the asset and the liability.

Accounting policies

NZPCL has a functional currency of US dollars and a presentational currency of New Zealand dollars.

The NZPCL debt and investment are recognised at fair value through profit or loss based on discounted cash flows.

The fair values of assets and liabilities are determined by discounting cash flows based on the relevant yield curves. Gains or losses on the NZPCL debt (including the effects of changes in the credit risk of the debt) is recognised in profit or loss to avoid accounting mismatch.

These valuations are considered level two in the fair value hierarchy.

E2. Investments

Group (\$m)	2026	2025
Corporate bonds – RRL	26	11
Total non-current investment	26	11

The cumulative change in fair value of investments attributable to changes in the credit risk is nil (2025: nil)

Description

RRL invests premiums received from Transpower. RRL reinsures externally and maintains sufficient investments to meet expected claims. RRL does not offer insurance to external parties.

For RRL bond holdings, the counterparties have maximum limits depending on their credit ratings. Investments in deposits, floating rate notes and corporate bonds were made in financial instruments issued by organisations with credit ratings of BBB or above. RRL counterparty exposures are limited to 10% of total assets or less, by individual counterparty, based on their credit ratings, and exposures are monitored on a daily basis.

Accounting policies

RRL investments are classified as fair value through profit or loss, due to RRL having an active investment programme to back insurance liabilities.

Fair value is established by using discounted cash flows based on the relevant yield curve. The yield curve is adjusted to reflect the credit risk of the counterparty to the transaction.

Corporate bonds are considered level two in the fair value hierarchy.

E3. Provisions

Group (\$m)	Contractors	Dismantling & environmental rehabilitation	Tower and line safety	Other	Total
As at 1 July	1	24	13	8	46
Provisions made during the year	1	1	1	3	6
Provisions used during the year	(1)	(2)	(1)	(3)	(7)
Provisions reversed during the year	-	(2)	(6)	(3)	(11)
As at 30 June	1	21	7	5	34
<i>Comprising:</i>					
Current	1	3	7	5	16
Non-current	-	18	-	-	18

Description

Contractor provision

Certain arrangements with contractors contain performance based payments provided certain criteria are met, including a requirement that assets are free from defect and meet prescribed service levels.

Dismantling and environmental rehabilitation

Transpower recognises dismantling and environmental rehabilitation provisions for the expected costs to restore sites and remove asbestos from properties.

Tower and line safety

Transpower has provided for two work programmes to remedy high priority lines underclearance issues and earth potential rise issues on towers, due to health and safety requirements.

Other

Includes provisions for the performance incentive scheme, redundancy, Emissions Trading Scheme obligations and regulatory provisions where amounts can be reliably estimated.

Accounting policies

Provisions are measured at the estimated future cash flows to be paid when the obligations are settled and are discounted to their present value using a risk-free discount rate between 2.97% to 5.85% (2025: 3.14% to 5.97%).

E4. Trade receivables and other assets

Group (\$m)	2026	2025
Trade receivables	163	97
Prepayments	20	17
Total trade receivables and other assets	183	114
<i>Comprising</i>		
Current	173	105
Non-current	10	9
Ageing of trade receivables		
Current	163	97
Past 31 days	-	-
	163	97

Description

No expected credit losses have been recognised during the year (2025: nil).

Accounting policies

Trade receivables are measured initially at fair value and subsequently at amortised cost.

The Group applies a simplified approach in calculating expected credit loss and does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit loss at each reporting date.

E5. Trade and other payables

Group (\$m)	2026	2025
Trade creditors and accruals	137	137
Employee entitlements	16	18
Collateral posted by counterparties	219	129
Total trade and other payables	372	284
<i>Comprising</i>		
Current	372	284
Non-current	-	-

Description

For those counterparties with which Transpower has a Collateral Support Agreement (CSA), the Group is required to post collateral to or receive from the counterparty when the net derivative position exceeds the maximum exposure threshold defined by the CSA.

Collateral is classified as a financing activity in the cash flow statement. All changes in the period are cash flows.

Changes in collateral posted by counterparties	2026	2025
As at 1 July	129	-
Collateral paid	(540)	(596)
Collateral received	630	725
As at 30 June	219	129

Accounting policies

Trade and other payables are measured initially at fair value and subsequently at amortised cost.

E6. Related parties

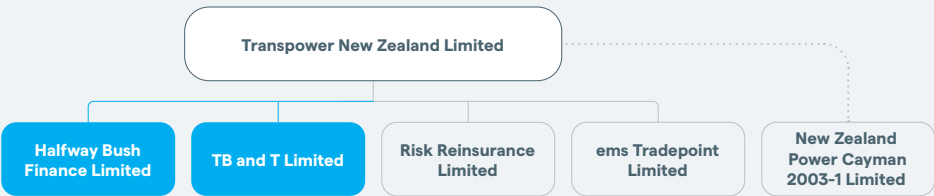
Group entities

The Group financial statements consolidate the financial statements of directly or indirectly controlled subsidiaries. All significant intercompany balances and transactions are eliminated on consolidation.

Other than as detailed below, all subsidiaries are wholly owned, are incorporated in New Zealand and have a balance date of 30 June. The Group discloses a non-controlling interest (NCI) relating to New Zealand Power Cayman 2003-1 Limited (NZPCL). NCI is measured as the NCI's share of net assets.

Transpower has no ownership interest in NZPCL. NZPCL is a special-purpose vehicle registered in the Cayman Islands and is consolidated for financial reporting, indicated by the dotted line in the diagram below. Refer to E1 NZPCL debt and investment for more detail.

At balance date, the Group's entities are as follows::



● Party to a cross-border lease over the majority of the South Island HVAC Assets

Transactions with key management personnel

Aside from compensation payments below, no transactions with key management personnel have been conducted.

Key management personnel compensation

Key management personnel received the following compensation for their services to the Group:

Group (\$m)	2026	2025
Directors' fees	1	1
Chief Executive and senior management team	7	6
Short-term employee remuneration	8	7
Defined contribution schemes	-	-

There were no termination payments or long-term compensation paid to key management personnel in 2026 (2025: nil).

Government-related transactions

As a state-owned enterprise, Transpower transacts with other government-related entities. Significant transactions and balances (greater than \$15 million) are as follows:

Group (\$m)	2026	2025
Meridian Energy Limited – revenue	83	72
Electricity Authority – revenue	57	51
Genesis Energy Limited – revenue	21	17
Mercury NZ Limited – revenue	17	14

The Electricity Authority is an independent Crown entity responsible for regulating the New Zealand electricity market. The Electricity Authority pays Transpower a contracted fee for its role as system operator.

Meridian Energy, Genesis Energy and Mercury NZ are majority state owned companies and electricity generators and retailers. Each company pays Transpower primarily for electricity transmission.

Transpower also settles its income tax and indirect tax obligations with Inland Revenue.

Some Directors of the company may be Directors or officers of other companies or organisations with which Transpower may transact.

E7. Contingencies

(i) Guarantees

New Zealand Power Caymans Limited (NZPCL)

In November 2009, the Group partially terminated the 2003 cross-border lease in respect of the majority of the HVAC transmission assets in the South Island. As a result of the partial termination, Transpower has consolidated a special-purpose vehicle, NZPCL.

NZPCL has a USD deposit with a financial institution and a USD loan from another financial institution. The cash flows from the deposit and loan offset. No consideration was transferred. The loan to NZPCL is guaranteed by Transpower.

The substance of the transaction is such that Transpower would be responsible for any shortfall between the value of the asset and the liability, rather than the non-controlling interest. The likelihood of losses in respect of these matters is considered to be remote.

Borrowings

Transpower has given a negative pledge covenant to holders of Transpower's bank debt, New Zealand domestic bonds, Swiss bonds, United States Private Placement and Australian Medium Term notes. The terms are such that, while any debt issued remains outstanding, Transpower will not, subject to certain exceptions, create or permit to exist, any charge or lien over any of its assets.

(ii) Economic Value (EV) account

Transpower operates its revenue-setting methodology within an EV framework that analyses economic gains and losses between those attributable to shareholders and those attributable to customers. Under the Commission regulations, Transpower is required to pass onto, or claim back from customers, the customer balance at the end of RCP2 (31 March 2020). This balance was spread evenly over the 5 years of RCP3.

The Commission set the annual undiscounted amount to be returned by Transpower to its customers in RCP3 at \$18 million based on the forecast closing balance at end of RCP2, which over-returns the actual customer balance by \$7 million (discounted). That over-return will be recovered from customers during RCP4.

The closing EV account balance represents the total amount that will be recovered from (positive) or returned to (negative) customers. The balance will be evenly recovered or returned, as applicable, in each year of the following regulatory period. The table below provides the movements in EV account balance for the disclosure year ended 30 June 2025, as shown in the published regulatory disclosure of the annual compliance statement 2024-2025. The 2025-2026 statement will be published in October 2026.

Group (\$m)	Total
Opening EV account balance (1 July 2024)	106
Interest on opening balance	4
Returned / (recovered) during year	18
To be recovered from / (paid to) customers in RCP4	(12)
Closing EV account balance (30 June 2025)	116

(iii) Environmental hazards

Transpower has a programme of identifying, mitigating and removing environmental hazards such as asbestos at its sites. The cost of mitigating and/or removing identified hazards will vary, depending on the particular circumstances at the site. Where a reasonable estimate of the cost of mitigating or removal of a hazard can be made, a provision has been established.

(iv) Possible removal of assets subject to resource consents

Certain assets are subject to resource consents that authorise their ongoing occupation. If those consents are not renewed or replaced when they expire, Transpower may be required to remove the relevant assets and restore the affected areas. Management considers the likelihood of an outflow of economic resources related to removal to be unlikely as Transpower expects that replacement consents will be sought and renewed in due course to authorise their continued occupation. Accordingly, no provision has been recognised. The timing and amount of possible removal costs are uncertain and would depend on future consent outcomes, regulatory requirements and the scope of any removal work required.

(v) Various lawsuits, claims and investigations

Various other lawsuits, claims and investigations have been brought or are pending against the Group. The Directors of Transpower consider that such claims are addressed in the normal course of business and are only provided for when there is clear evidence that the Group has a present obligation. At this stage, the Directors cannot reasonably estimate the adverse effect (if any) on the Group if any of the foregoing claims are ultimately resolved against the Group's interests.

On 26 November 2025, a representative class action was filed in the High Court against Transpower in relation to the fall of Tower 130 in June 2024. At this stage, the Directors do not believe that the Group has a present obligation. No reasonable estimate can be made at 30 June 2026 on the financial impact of this claim for the Group.

E8. Subsequent events

On 7 July 2026, Transpower issued CHF200 million of 10 year Green Fixed Rate Bonds in the Swiss debt capital market, equivalent to NZ\$437 million, with a fixed coupon rate of 1.065% per annum.

On 27 August 2026, the Directors approved the payment of the final dividend of \$30 million. The dividend will be fully imputed and is expected to be paid on 21 September 2026.

Independent Auditor's Report

To the Readers of Transpower New Zealand Limited's group financial statements for the year ended 30 June 2026

The Auditor-General is the auditor of Transpower New Zealand Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Sam Nicolle, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 70 to 99, that comprise the consolidated statement of financial position as at 30 June 2026, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate 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, as applicable to audits of public interest entities. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the audit we have carried out engagements in the areas of other assurance services and remuneration benchmarking, which are compatible with those independence requirements.

Other than the audit and these engagements, we have no relationship with or interests in Transpower New Zealand Limited or any of its subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the Group of the current period. These matters were addressed in the context of our audit of the consolidated financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matter	How we addressed this matter
Regulated assets	
The Group's regulated assets (consisting of property, plant and equipment, intangible assets and associated capital work in progress) represent 84% of total assets at 30 June 2026. Judgements required to be made by management in relation to the accounting for regulated assets include: - Determining what costs ought to be capitalised; - Determining the appropriate time to commission an asset and commence depreciation; - The period over which regulated assets should be depreciated; and - Whether there are any regulated assets that ought to be impaired and if so the amount of that impairment. Transpower reviews regulated assets for indicators of impairment at each reporting date. As described in Note B1 the recoverable amount of regulated assets is generally their regulatory book value. Regulatory book value is the amount Transpower is able to recover from customers through future revenue under the terms of the regulations per Part 4 of the Commerce Act 1986. Transpower allocates its regulated assets between cash generating units and compares the carrying amount against the regulated book value to identify possible indicators of impairment. Disclosures regarding regulated assets are included in Notes B1 and B2 to the consolidated financial statements.	In obtaining sufficient appropriate audit evidence we: - Assessed the appropriateness of a sample of capitalised costs against the criteria contained in NZ IAS 16 <i>Property, Plant and Equipment</i> and NZ IAS 38 <i>Intangible Assets</i>. - Tested a sample of assets commissioned in the period to consider whether depreciation was charged from the appropriate date. - Considered a sample of capital work-in-progress project balances to assess whether they were complete and available for use and so should have been depreciated as at 30 June 2026. - Considered how Transpower has assessed the assumed asset useful lives that are the basis on which depreciation has been charged. - Assessed cash generating units identified against the requirements of NZ IAS 36 <i>Impairment of Assets</i> and the allocation of regulated assets between cash generating units. - Tested management's identification of differences between the financial statement carrying amounts and regulatory book values at 30 June 2026 and considered the reasons for such differences. - Considered the completeness of management's assessment of indicators of impairment with reference to NZ IAS 36 <i>Impairment of Assets</i>. - Assessed whether the Group's disclosures in Notes B1 and B2 of the consolidated financial statements in relation to regulated assets comply with NZ IAS 16 <i>Property, Plant and Equipment</i>,

Description of key audit matter	How we addressed this matter
Regulated assets	
	NZ IAS 38 <i>Intangible Assets</i> and NZ IAS 36 <i>Impairment of Assets</i>. We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.
Debt and derivatives	
Transpower has significant debt and derivative financial instruments. The total debt and derivative portfolio at 30 June 2026 was a net liability position of \$3.8b and is detailed in Notes C4 and D6 to the consolidated financial statements. Some, but not all, of Transpower's derivatives used to economically hedge the Group's interest rate exposure are designated into hedging relationships for accounting purposes. Debt and derivatives are both recorded at fair value. Movements in the fair value of debt and related derivative financial instruments impact profit or loss, or the cash flow hedge reserve where the derivative is in a designated hedge relationship. The valuation of these instruments involves the application of valuation techniques which require the exercise of judgement and the use of estimates as described in Notes C4 and D6 to the consolidated financial statements.	In obtaining sufficient appropriate audit evidence we: • Obtained counterparty confirmations for a sample of debt and derivatives at 30 June 2026. • Performed independent valuations for a sample of debt and derivative instruments. • Assessed the Group's documentation of hedging relationships against the requirements of NZ IFRS 9 <i>Financial Instruments</i>. • Assessed the appropriateness of accounting adopted for derivative instruments depending on whether they were designated in hedging relationships or not. • Assessed the disclosures in the financial statements, including whether they appropriately reflected the Group's exposure to financial instrument risk with reference to NZ IFRS 7 <i>Financial Instruments: Disclosure</i>. We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.

Other information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the Climate Statement and all of the information in the Integrated Report other than the consolidated financial statements, and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon in this auditor's report. We have issued a separate assurance report on the Climate Statement

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.



Sam Nicolle
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand
27 August 2026

Directory

Terms

BESS

Battery energy storage systems

GHG

Greenhouse gas emissions

GXP

Grid exit point

GW

Giga watt (1,000,000 watts)

HVDC

High-voltage direct current

MCPs

Major Capital Expenditure
(Capex) Projects

MW

Mega watt (1,000 watts)

NZGP

Net zero grid pathways

PPA

Power Purchase Agreements

RCP

Regulatory Control Period

SCADA

Supervisory Control and
Data Acquisition

SOSPA

System operator service
performance agreement

STEM

Science, technology,
engineering and maths

The Authority

Electricity Authority Te Mana Hiko

Board of Directors

Michele Embling, Chair

Whaimutu Dewes, Deputy Chair

Owen Coppage

Leon Grice

Parekawhia McLean

Kevin Palmer

Bruce Parkes

Merryn York

Executive Leadership Team

James Kilty,
Chief Executive

Chantelle Bramley,
Executive General Manager
Operations

John Clarke,
Executive General Manager
Future Grid

Louise Griffin,
Executive General Manager
External Affairs

Brigid Kelly,
Executive General Manager People

David Knight,
Executive General Manager Strategy,
Regulation and Governance

Cobus Nel,
Executive General Manager Information
Services & Technology

Mark Ryall,
Executive General Manager
Grid Delivery

Greg Smith,
Chief Financial Officer

Matt Webb,
Executive General Manager
Grid Development

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