TRANSPOWER

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Seizing the OPPORTUNITY

Integrated Report
FY 2025

TANIA

PROGRAMME DIRECTOR
FUTURE GRID
4 YEARS AT TRANSPOWER

I'm bringing together ideas from across Aotearoa to help develop a national grid fit for a future where Aotearoa is thriving and reaches net zero. Our work today lays the foundation for generations to come and I'm proud to be part of it.

Follow our people's stories in this report and on our website as they work to plan the power system, investigate and connect new electricity generation and battery storage to our network, and commission it onto the national grid. We're all working to deliver a future where New Zealand can transition to a more electrified way of life.

Scan to read their stories:
Profiles – Transpower

How to read this report

Since launching our first integrated report in FY2021, we have continued to evolve our reporting in accordance with disclosure requirements and to meet stakeholder expectations.

This year our report is in four sections.

- In the '**Introduction**' section, you will find the details of who we are, our strategy, how we create value and the material issues that matter most to our stakeholders.
- In the sections titled '**Managing our assets wisely**', '**Delivering more with others**' and '**Choosing a sustainable future**', we bring you stories from the year that cover our work, our partnerships, and the way we are adopting a sustainable approach to business delivery.
- In the section titled '**Our business**', you will find more information about our targets, corporate governance and the management of Transpower.
- Finally, in '**Financial performance**', you will find our financial statements.

Transpower is a climate reporting entity for the purposes of the Financial Markets Conduct Act 2013.

In accordance with the Aotearoa New Zealand Climate Standards, we published our Transpower **Climate Statement FY2025** and associated **FY2025 Greenhouse Gas (GHG) Emissions Inventory Report** (which forms an integral part of our **Climate Statement**) alongside this integrated report.

These outline our climate-related risks and opportunities, our governance structure and management actions, our annual GHG emissions, (previously contained in this document and now summarised on **page 78**).

Our **GHG Emissions Inventory Report** is produced in accordance with the Aotearoa New Zealand Climate Standards, the GHG Protocol and ISO 14046-1:2018. It includes assurance from our auditor, Matthew Cowie of Ernst & Young, on behalf of the Auditor-General in accordance with the International Standard on Assurance Engagements (NZ) 3000 (Revised), Assurance Engagements Other than Audits and Reviews of Historical Financial Information (NZ) 3410, Assurance Engagements on Greenhouse Gas Statements.

Transpower does not produce a separate sustainability report, rather, tracking against our **Sustainability Strategy** is contained here, on **pages 69-71**.

You can visit our website, **transpower.co.nz**, for details about our materiality assessment and for copies of our **Sustainability Strategy**, **Climate Statement** and **GHG Emissions Inventory**.

At the back of this report, you will find a table of the acronyms used in the report.

Scan to visit:
Sustainability – Transpower

Contents

Who we are

Transpower owns and operates the national grid, a lifeline utility that runs the full length of the country from Kaikohe to Tiwai Point. We also run the electricity market in real-time, moving power from where it is made to where people and businesses need it.

Our infrastructure network includes thousands of kilometres of lines strung across thousands of towers connecting to hundreds of substations.

We move electricity from where it is made to where it is needed, enabling local lines companies to power millions of homes and businesses all around the motu.

In our role as the system operator we run the electricity market, balancing supply and demand 365 days a year, 24 hours a day, to keep the power flowing.

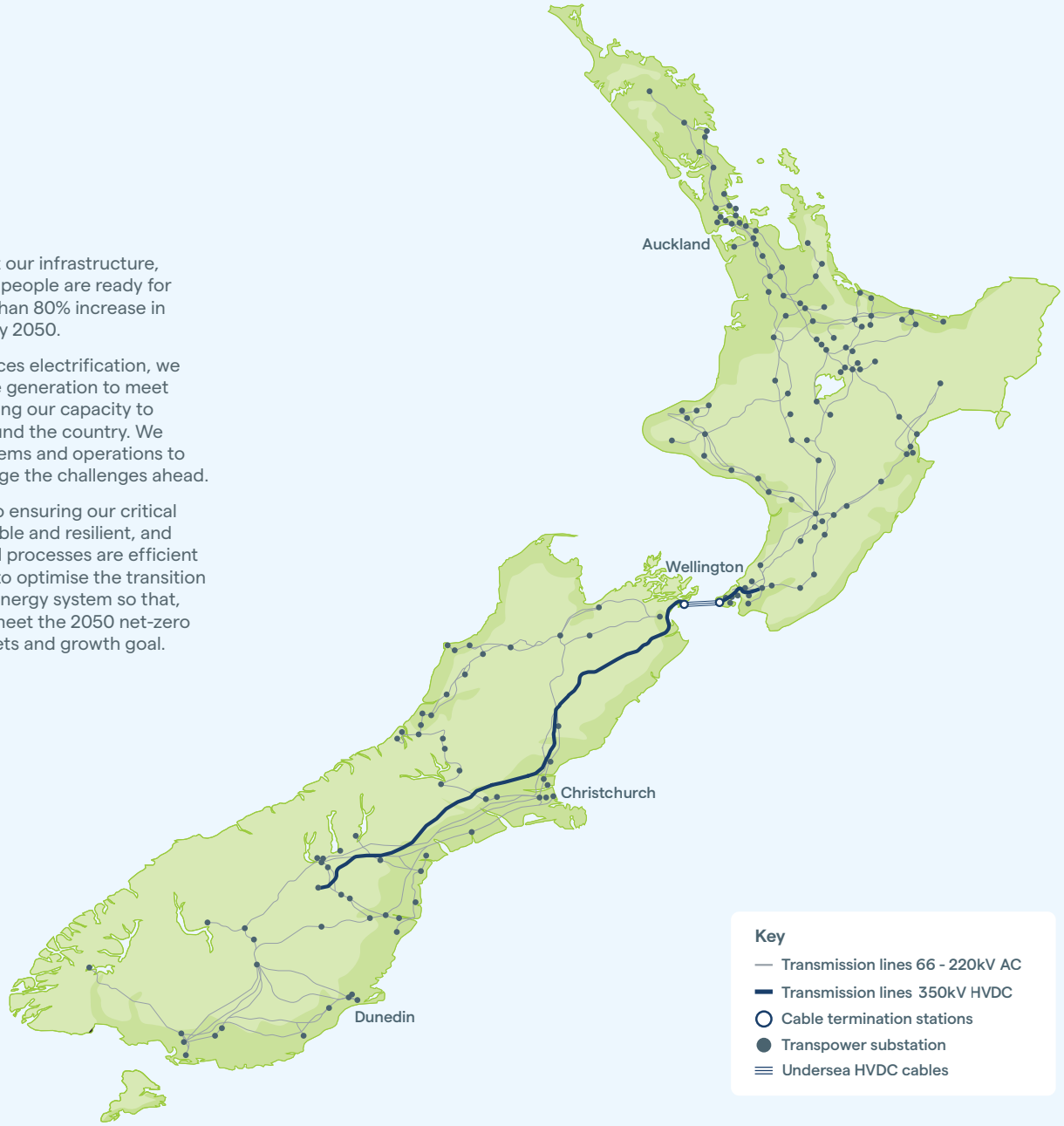
Our people and our service provider whānau are the most important part of Transpower; their expertise and dedication are critical to our delivery of a reliable and secure electricity system.

Aotearoa New Zealand aspires to a decarbonised future through electrification.

We must ensure that our infrastructure, our systems and our people are ready for the expected more than 80% increase in electricity demand by 2050.

As the nation embraces electrification, we are connecting more generation to meet demand and increasing our capacity to move electricity around the country. We are evolving our systems and operations to ensure we can manage the challenges ahead.

We are committed to ensuring our critical infrastructure is reliable and resilient, and that our systems and processes are efficient and secure. We aim to optimise the transition path for Aotearoa's energy system so that, as a nation, we can meet the 2050 net-zero climate change targets and growth goal.



Where we fit in

1 **Generation**
Generation companies generate power from wind, thermal, hydro and geothermal. They sell the power they generate on the electricity market. Emerging distributed generation includes electric vehicles, batteries and solar photovoltaic.

2 **New grid connects**
As New Zealand moves to electrify its economy, Transpower is receiving more requests to connect to the grid. This includes new generation such as solar and wind, as well as new demand.

3 **Transmission**
Transpower transports high voltage electricity from where it is generated to distribution companies and some large directly connected customers.

4 **Industrial customers**
A few major industrial companies receive their power directly from Transpower.

5 **Substations**
Substations reduce the voltage at the point where electricity is delivered to distribution companies – our customers.

6 **System Operator**
Operates the wholesale electricity market and manages system security.

7 **Distribution**
The lower voltage electricity is transported by distribution companies to homes and businesses throughout New Zealand.

8 **Commercial**
Some commercial customers that consume large quantities of energy purchase power directly from the wholesale electricity market.

9 **Retail**
Retailers buy power on the electricity market, package it together with other costs of delivering power (transmission and distribution), and on-sell it to customers.

10 **Domestic and business users**
Domestic and business users receive their electricity directly from retail companies, which deliver power to homes, businesses and commercial operations using distribution companies' lines.

How we create value

Inputs → What we do → Outcomes

Transpower is responsible for planning, building, maintaining and operating the national grid, and operating the power system 24/7.

Manufactured capital
Our physical assets, our offices, technology and grid infrastructure

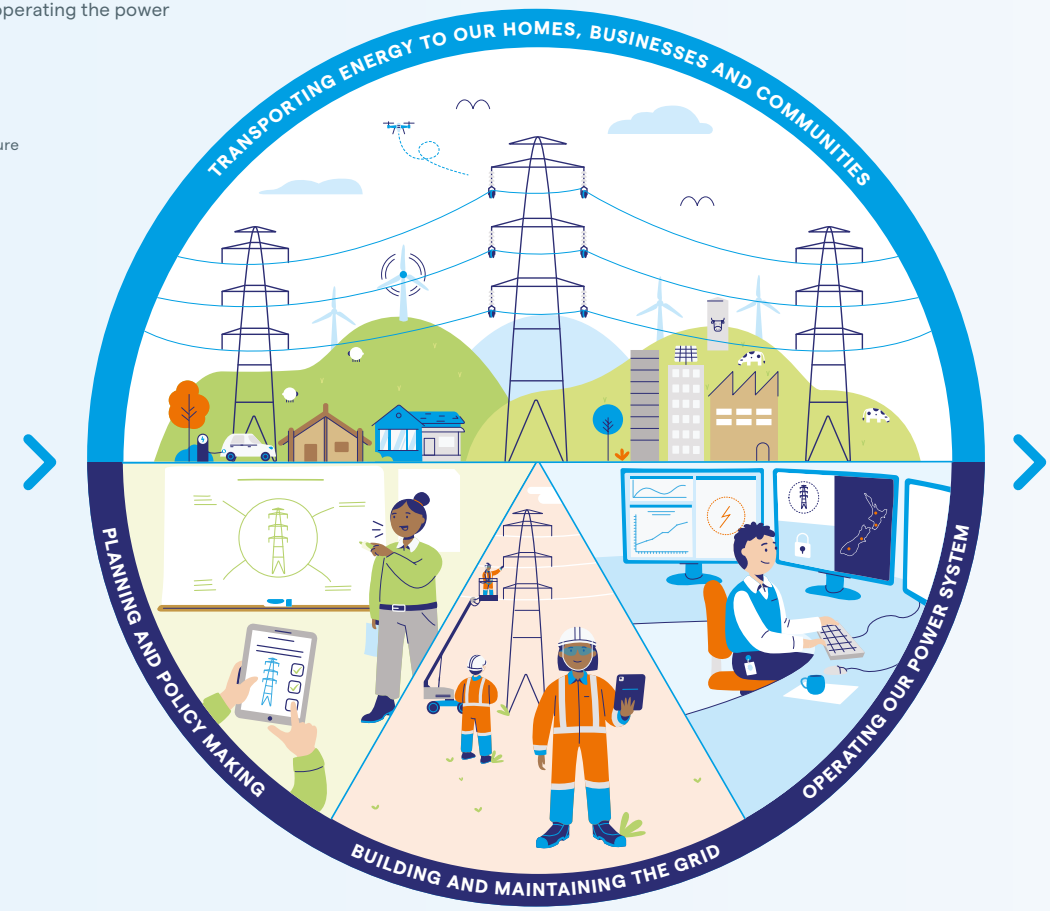
Human capital
Our employees and Service Providers; their knowledge, skills and diversity

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 and how we give back to communities

Financial capital
Income from our regulated and unregulated activities



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

OUR PURPOSE

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

Chair column

It is my pleasure to provide this, my final statement as Chair, before stepping down on 31 May.

It was also my pleasure to serve on the Establishment Board that created Transpower in 1994 and to be an author of the Task Force Report of 1989 that recommended separating out Transpower as a stand-alone State-Owned Enterprise.

Transpower has evolved greatly over the past 30 years, including during the time that I have been Chair. It has been challenging, stimulating and rewarding in equal measure. Now, at the start of a new regulatory control period and under the guidance of new Chief Executive James Kilty, the business is well placed to accelerate and deliver the significant programme of work needed to further support the nation's growth and electrification.

This report outlines how Transpower is delivering for New Zealand and examines the way it is responding to its changing context. It fulfils our statutory reporting requirements as a regulated State-Owned Enterprise and a NZX-listed company (for debt instruments), and it reflects the Board's commitment to transparency, accountability, and business sustainability.

Closing out RCP3

Transpower has closed out this final year of RCP3 with new generation commissioned, 13 customer projects of 1,939 MW in delivery, and a further 47 projects of 7,662 MW in investigation. It has made significant changes in how it works with customers; its progress and success is reflected in the consistent achievement of service performance targets.

Health and safety must remain an unrelenting focus for the Board and we are pleased with the ongoing progress being made in this area. Safety performance measures continue to trend in the right direction even as work increases.

The Board is also pleased with the way the business implemented change following the tower fall of June 2024, and how it worked with Top Energy, Northpower and Northland communities to quickly develop a regional plan for resilience and reliability.

This collaborative approach has been adopted in other regions and is delivering better outcomes, as communities are enabled to become more involved in the development of their electricity system. The unprecedented list of proposed major capital expenditure projects reflects the need to respond to expected demand growth, and regional plans are working to define and develop options for this growth.

With thanks

I am very pleased to pass the role of Chair to existing Board member Michele Embling. She has been a valuable member of our Board for more than three years, bringing with her significant expertise and 15 years of governance experience.

I wish to thank everyone for the significant contributions made this past year: John Clarke for his period as acting Chief Executive; Chief Executive James Kilty for his commitment to the Transpower legacy and the years ahead; Directors Heather Simpson and Vanessa Oakley who departed the Board this year, and finally to the entire team at Transpower for their delivery and dedication to empower the energy future for New Zealand.

Keith Turner,
Outgoing Chair

I am delighted to have been appointed as Transpower's new Chair.

Looking ahead

In November 2024, the Commerce Commission approved close to $6 billion in revenue allowance for our fourth regulatory control period (RCP4) to maintain reliability and support growth across the electricity system.

It is good news that Transpower will have the funding needed for its intensified work to refurbish its aging assets. However, it does mean that the cost of power went up from 1 April 2025 to ensure ongoing reliability for everyone.

For residential consumers, that increase to enable our work equates to approximately $3 per month, and our share of the average monthly electricity bill is less than 8%.

The Board, Executive and the whole team at Transpower are aware of the pressures on households and businesses from rising costs and remain focused on delivering efficiently and effectively to demonstrate value to the people of New Zealand.

A continued focus on climate risk and business sustainability

As New Zealand continues to experience increasingly severe weather events, the risk of disruptions to the electricity system rises. In response, Transpower has further strengthened its approach to identifying climate impacts and adapting how it reacts.

The Sustainability and Climate Risk Governance Group manages this work programme, overseen by the Board.

The company's first **Climate Statement**, prepared in compliance with the Aotearoa

New Zealand Climate Standards, was published in August 2024 and an **Adaptation Plan for Climate Change** was delivered in September.

This work sits alongside Transpower's annual **GHG emissions reporting** and its overarching **Sustainability Strategy**. This year, GHG emissions targets have been refreshed to ensure they account for Transpower's ongoing growth phase, and implementation of our waste management strategy is well underway.

Transpower is committed to driving behaviour change so 'the sustainable way' becomes business as usual. The Board is very pleased with the progress in this area and the successful delivery of sustainability milestones for the year.

Security of electricity supply

Transpower has continued its efforts to enhance how it informs and coordinates with others to manage security of supply, so industry can more effectively plan its response to the more difficult months, and years, ahead.

The business is currently working alongside industry and the Electricity Authority Te Mana Hiko (the Authority) to explore whether regulatory settings need to change, with a full review of how Transpower monitors and assesses security of supply planned for the year ahead. This comes off the back of a review into the rules around access to contingent storage, completed in April this year.

We know that delivering a secure supply of electricity now and into the future is a priority for all stakeholders during a complex energy transition and it remains a key focus for the business.

Financial results

Transpower has delivered a consistent operating performance over the last year, despite the challenges of higher supply chain, maintenance and resourcing costs. Operating revenue increased by 6% to $986 million in line with expectations following the transition to regulatory control period (RCP4), effective 1 April 2025. The increase relates to higher costs, an increase in the weighted average cost of capital, and higher levels of investment.

Operating expenses were $420 million, a 9% or $35 million increase relative to the previous year, mainly due to higher maintenance, increased investigation work to support customer growth, and workforce costs as the business grows and builds the capacity needed to deliver an increased work programme.

Net profit after tax was $107 million, a 19% increase from the prior year, but a 14% drop after normalising for a one-off non-cash tax expense in 2024 of $34 million (relating to the removal of tax depreciation deductions on non-residential buildings).

A final dividend of 6.0 cents per share, or $72 million, has been declared, resulting in a total dividend for the year of $120 million. This represents an increase of $10 million over and above the full-year dividend forecast in Transpower's **2024/2025 Statement of Corporate Intent** (SCI).

We continue to deliver returns for our shareholder, the New Zealand Government, while investing in New Zealand's future. This remains an important focus for the Board, noting our shareholder's clear expectations around prudent cost management and investment. We have delivered a full year dividend that is 9% higher than forecast, which is evidence of the efforts our people are making to deliver value for New Zealanders.

Reliable, affordable power underpins our nation's productivity, growth, and quality of life. We know the grid is critical to a more electrified way of life in New Zealand, and we are focused on Transpower's role in supporting our country to make that transition at the lowest system cost.

Thank you to the Transpower team and our partners in the sector; your hard work and dedication enabled us to deliver for New Zealand. The Board is grateful for your deep commitment to your work and to keeping the lights on for New Zealanders now and in the future.

The work to ensure Aotearoa's national grid continues to deliver the power New Zealanders need is front and centre in Transpower's Integrated Report, which provides an in-depth look at the company's performance, including a range of environmental, social and economic metrics.

Michele Embling
Chair

Chief Executive column

It's an exciting time to join Transpower. As Aotearoa New Zealand makes key decisions about its energy future, we enter our fourth regulatory control period (RCP4) determined to enable a thriving and prosperous, low-emissions economy.

At Transpower, we know we exist to deliver for New Zealand. We enable the people, businesses, and industries that power our country to prosper and thrive by delivering a safe, secure, and reliable electricity system.

Aotearoa is uniquely positioned. Distant from global strife, and with abundant natural resources and a world-leading low carbon electricity system, we have the tools to lead the energy transition and grow our economy on the path to net zero — if we choose to use our resources boldly.

We are ambitious for New Zealand. When I look to 2050, I see the opportunity for a prosperous, net zero nation that has decided to harness its natural advantages, accept the trade-offs, and build a better future for all.

Delivery

Over the past year we have met five of our six service measures for our transmission service, and 15 of the 16 targets set down in the **Statement of Corporate Intent**. This includes a strong performance in service quality, delivery of our investments broadly in line with our regulated allowances and paying dividends in excess of forecasts in our SCI and Business Plan for the 2024/25 year.

Our people remain engaged in their work, with an engagement score that puts us in the top 25th percentile across our industry. We are continuing to work hard to engage and meet the needs of customers, landowners and stakeholders, and are making good progress against our targets.

This year we have delivered on the majority of the recommendations made following the investigations into the Northland tower fall, with a few long-term actions still in progress. The new tower is in place and, together with Omexom, we have established a $1 million fund to support resilience initiatives and projects that will deliver long-term economic benefits for the community.

While the formal rulings panel process relating to the Authority's complaint is ongoing, we continue to work actively with the community and with Northpower and Top Energy on enhancing resilience in the region.

We remain committed to learning and ensuring there is no repeat of this event.

In December we successfully secured a supplier to replace our high voltage direct current (HVDC) submarine electricity cables that electrically connect the South and North Islands. This is critical infrastructure to support the lowest cost electricity to be supplied to Kiwis, no matter which island it is generated in. These cables are in high demand internationally so it was important to secure our rights despite installation not being planned until 2031.

We also worked with industry to navigate two very dry periods; another dry winter in 2024 and an exceptionally dry start to 2025. Reduced hydro levels frequently coincide with reduced wind generation. This has been exacerbated by rapidly reducing gas supplies, with reserves declining by 27% year-on-year.

It is beyond doubt that New Zealand cannot afford delays in the development of new generation or in securing back-up energy reserves. It's encouraging to see that industry has agreed to underwrite a fuel stockpile and extend the life of the Huntly power station to support energy reserves, and it is clear that as gas declines more investment in firm fuel is needed at pace. Transpower has a key role in enabling new generation and we continue to review and revise our connections process to move faster, with a 75% increase in throughput this year. We know we must do more to help accelerate new connections and we are determined to do so.

Safety remains an ongoing focus. While the severity of our incidents has fallen, we are still seeing harm occur and a concerning number of near misses. We continue to work closely with our service providers through the Central Safety Leadership Team and other forums to identify every possible improvement to keep people safe.

Investing in the grid

The speed of growth we are seeing is creating challenges after years of little growth, and we are picking up the pace. Over the year, our team commissioned 300 MW of new generation and capacity upgrades, roughly

what Wellington City uses in peak times. Next year we expect to see another 930 MW. Our team is working hard to ensure new generation is commissioned as quickly as industry can build it.

Our connection process, regional and local planning and resource consenting, must all become more enabling of rapid development and electrification to enable New Zealand to thrive and prosper through the energy transition.

Delivery of major transmission projects also continues at pace, focused on enhancing the existing grid backbone. Despite the engineering creativity and expertise I have witnessed since coming to Transpower, we are reaching the end of our ability to extend the life and capacity of the existing grid, and increased investment is necessary.

Our 20-initiative, end-to-end acceleration programme will optimise every stage of our grid work, from outage planning, to engineering standards; supply chain management to environmental approvals. We are also investing in our operational systems to improve our business processes, digitise core systems, and strengthen decision-making tools to enable us to successfully manage our work through this period of accelerated change.

We are also looking to the long-term future. Our 'Future Grid' division has commenced work to develop a blueprint for how the future national transmission grid could develop, with the launch of **Te Kanapu** in May.

Our Te Kanapu work asks the question "what is the electricity grid that delivers the lowest cost, reliable, electricity" rather than "what is the lowest cost, reliable, electricity grid". This is an important distinction, focussing on customer outcomes from the system, not just the grid. This work sees us engaging widely with stakeholders on a vision of Aotearoa in 2050 and then working back to the system and grid that can best enable that.

Three pillars of success

It is abundantly clear that the environment in which we operate will continue to be uncertain and dynamic. It will evolve rapidly as technology advances, geopolitics impacts supply chains, and climate impacts worsen. This presents challenges but also opportunities to support New Zealand's relative growth as the world seeks to electrify without the same natural advantages we have here.

At Transpower we believe there are three areas we must continue to focus on as an industry to deliver the future energy system that the country wants.

First, we must always remember that the energy transition is not about us. It's about New Zealanders. The role of the energy system is to enable its customers to thrive and prosper. We must be an enabler of economic growth and of wellbeing. It's a role that electricity can deliver on. Secondly, electricity must be secure and affordable. Our stakeholders have told us that security of supply should be our number one priority and that they remain concerned about affordability. Fundamental to success here is how we can enable the acceleration of new generation build and ensure the industry secures the necessary back-up supply of energy to support intermittent renewables for the long term. It is good to see the massive increase in focus and investment in both areas in the last year.

Finally, our most critical resource is people. Both the Transpower and industry workforces will need to increase substantially to keep pace with growth, and we are going to need a wide range of people from different backgrounds and disciplines with a heavy reliance on science, technology, engineering and maths (STEM). We must develop, attract and retain the broadest possible workforce and lead an inclusive environment.

Our efforts to support this focus area are progressing well. We have met our recruitment targets for FY24/25, which represents a significant increase on previous years and marks one of the largest employment growth periods in our recent history.

With thanks to our Board and the Executive Leadership Team

In May we farewelled Chair Dr Keith Turner and welcomed Michele Embling as our new Chair, along with new board members. I wish to extend my thanks to Keith for his service, and to the entire Board for their support since my arrival.

We recently farewelled Raewyn Moss, EGM Customer and External Affairs, whose 14-year career with Transpower has spanned many roles. On behalf of everyone, I wish to thank Raewyn for her mahi and wish her well for the future.

My thanks also to the entire Executive Leadership Team for their support and, in particular, to John Clarke for the role he played in leading the organisation prior to my arrival.

Finally, to the entire team at Transpower, I offer my thanks for your significant work and your commitment to New Zealand's ambitious energy future. I am proud of what you do, and that you know it is not about us - it is about New Zealanders. Tū mai Aotearoa!

James Kilty
Chief Executive

The year in numbers

▲ 18.9%
$107m
NET PROFIT AFTER TAX

▲ 6%
$986m
REVENUE

▲ 26.3%
$600m
CAPITAL EXPENDITURE

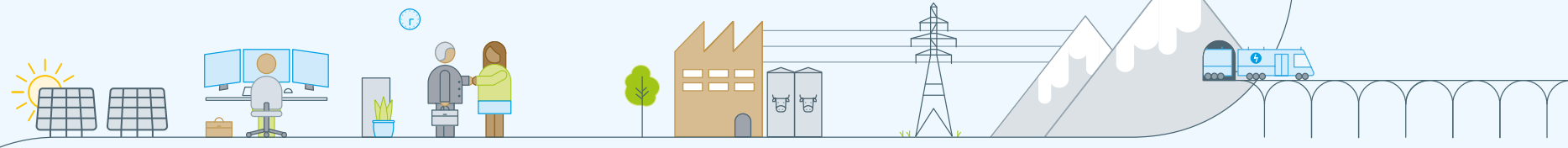
—
$18m
TAX PAID

1,000
SERVICE PROVIDER EMPLOYEES (WORKING ON TRANSPOWER ASSETS AT ANY TIME)

$748m
MAINTENANCE, REPLACEMENT AND ENHANCEMENT EXPENDITURE

$114m
DIVIDENDS PAID OUT TO THE CROWN

$827m
FUNDS RAISED FROM TERM DEBT



300 MW
NEW GENERATION COMMISSIONED

27,270
LANDOWNER INTERACTIONS

70%
CUSTOMER SATISFACTION SCORE

1,080
STAFF

$809,000
FUNDS GRANTED TO COMMUNITY PROJECTS

14,500
NEW PLANTS AROUND OUR TAKAPŪ SUBSTATION

Highlights

July 2024

Auckland high-voltage cable repairs commenced

August

98% of proposed RCP4 expenditure approved by the Commerce Commission

First solar generation connected directly to the grid

December

Capacity and reservation agreement signed for Cook Strait cables, ship and installation

Proposal for major investment in western Bay of Plenty submitted

January 2025

Transpower, Northpower and Top Energy collaborated to boost network resilience and reliability for Northland

February

Collaborated with industry to manage dry year risk

We welcomed new Chief Executive James Kilty

Community partnership with Capital Kiwi Project began

March

Animated education videos and teaching resources released

April

Refreshed, streamlined generation commissioning process introduced

May

Te Kanapu launched

June

System Operator agreement for next three years signed

Electricity industry completed transition to our new AUFLS scheme

The environment we operate in

Electrification of New Zealand's economy is no longer in doubt: it's happening, and the pace of change is only going to accelerate.

Global consensus on the key role of electricity

The global landscape is more volatile and unpredictable than it was a year ago, with geopolitical disruption, worsening climate effects, resource constraints and wide-spread social change playing a role.

The rapid increase in electricity demand, and ongoing evolution of electricity systems through new technologies and digitisation, are considered some of the few certainties.

The world is electrifying and, increasingly, renewable energy is favoured as the most affordable option that also brings economic and energy security benefits. In 2024, the worldwide capacity for renewable electricity generation surged by an estimated 25% to around 700 GW.

However, the investment needed to decarbonise the energy system globally is monumental and requires a significant expansion in material and workforce supply chain capacity. Countries are competing for technologies and skills, driving up prices and increasing lead times for products and services.

New Zealand cannot materially influence these factors, so we must adapt and leverage our renewable energy resources to ensure the economy can thrive and be resilient.

Progress at a national level

New Zealand's progress toward decarbonisation continues to track against the 'Accelerated Electrification' scenario, outlined in Transpower's 2020 publication **Whakamana i Te Mauri Hiko**.

In 2024, electricity demand was higher than the historic average, despite a reduction in industrial load, with residential and irrigation-linked demand the key drivers of change. The residential sector is now the single largest electricity-using sector in the country.

Industrial sector demand has been declining in recent years, with the wood, pulp, paper, printing and chemicals sectors the largest contributors to the decrease. Despite this, other large energy users, such as NZ Steel, Fonterra, Channel Infrastructure and Air New Zealand, continue to signal new energy futures.

Sustained growth in demand is anticipated, primarily thanks to the electrification of transport and process heat, alongside increased residential use from population growth.

Electrification is expected to gather momentum between now and 2030, as changes in technology and costs make it practical for businesses and households to use more electricity.

Supply-side: we are on our way

It is clear both renewable generation and system capacity need to increase significantly to meet demand. We continue to see interest in generation connections, and growing investment in battery energy storage systems (BESS).

In the last 12 months, more than 300 MW of additional new renewable electricity generation was commissioned in New Zealand. This includes the commissioning of the Tauhara geothermal power station, and several solar photovoltaic installations connected to both Transpower and local

distribution networks. The significance of the long-term supply agreement with the New Zealand Aluminium Smelter will further support a more stable and certain domestic investment landscape.

New Zealand is also beginning to see signs of growing investment in utility-scale BESS; both stand-alone and paired with utility-scale solar. Meridian Energy's 100 MW BESS, part of its Ruakākā Energy Park and the first ever grid connected battery in New Zealand, became operational in May. There is a further 200 MW of stand-alone BESS in the delivery stage of Transpower's connection pipeline.

Our connection pipeline has 88 generation and storage projects, with a total capacity of 16 GW.

Significant growth now needed to meet delivery needs

This increased need for new connections is happening at the same time as much of the existing grid, built 50 to 70 years ago, is coming to the end of its economic life. Electrification also means the capacity of the grid must increase, so it can move larger amounts of electricity around the country.

We are reaching the limit of what is achievable through tactical upgrades and expect that in the longer term more transmission infrastructure will be needed.

One challenge is finding the workforce to complete the work. Both Transpower and industry workforces will need to grow to conduct our essential work.

We are going to need a wide range of people from different backgrounds and disciplines with a heavy reliance on STEM-qualified people.

Like other sectors, we are facing unprecedented labour shortages in some areas which will only tighten as our ageing workforce begins to retire. We compete internationally, and with the growing construction and infrastructure sectors, in a market with low unemployment.

A secure and affordable energy transition

Energy security remains a key concern globally and the New Zealand industry also needs to ensure there is enough storage and generation available to meet growing demand. This is especially relevant during dry years and with a declining gas production outlook.

Our current ability to meet energy demand is being challenged as we transition to a more renewable energy system. Growth in peak demand has outstripped investment in new flexible resources, leaving gas and coal-fuelled generation as the only available solution for times when renewables, such as wind and solar, are not available and cold weather increases in an environment where gas supply is dwindling. Dry year conditions also create challenges, as was seen in winter 2024 and again at the start of 2025.

However, the retirement of important thermal generation units and increased uncertainty over gas availability is threatening the system's ability to respond, which can in turn drive up wholesale prices.

The issue of cost remains a critical concern to businesses and communities. Household bills are expected to increase in the coming years, driven by economic factors, increasing use and the significant investment needed to deliver the transition and maintain ageing assets.

On the positive side, electrification itself will provide a pathway to lower overall energy costs for consumers of the future.

Government direction in support of electrification

In August 2024, the Government announced next steps on electrifying New Zealand under its Electrify NZ plan. This signals a focus on renewable generation investment and new infrastructure, with a policy to double renewable energy by 2050. To enable this, the Government is undertaking steps to remove red tape to support regulatory certainty to facilitate private investment, including a more enabling consenting pathway for renewable energy, updated regulatory settings and stronger national direction for renewables.

Our strategic framework

Our strategic response

While the long-term direction toward a more decarbonised and highly renewable system is consistent, the pathway to success varies.

It is within this operating context that Transpower continues to focus on serving the people of New Zealand to enable economic growth and support new and existing businesses to thrive, by leveraging New Zealand's energy resources and delivering a secure and sustainable electricity system.

As grid owner, Transpower must enable the rapid connection of new supply and demand and increase the capacity of the grid to support these. As system operator, Transpower must continue to operate a stable power system that seamlessly integrates more highly distributed and intermittent energy sources while maintaining steady voltage, frequency, power quality and supply in real-time, 24/7.

Our business strategy, **Transmission Tomorrow**, is geared toward delivering on Transpower's dual role, while responding to the opportunities and challenges that arise.

With the increased drive towards electrification, Transpower has identified five strategic priorities where it must focus its activity, to enable the energy future.

Enhance our social licence to operate

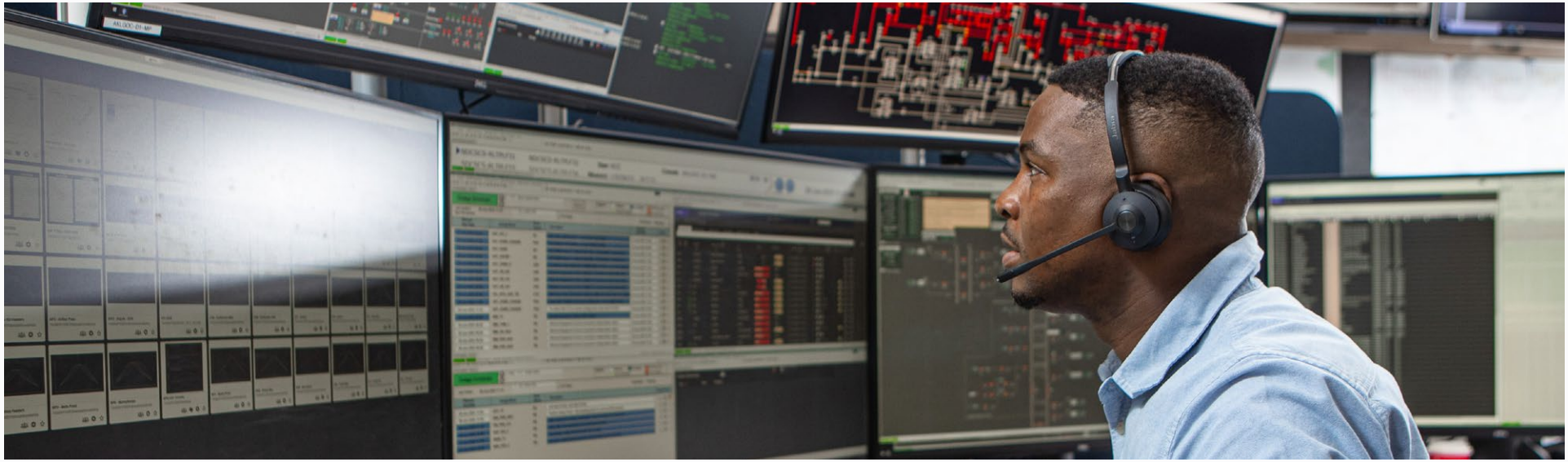
Electrification will require a level of investment in infrastructure that has not been seen in generations. Transpower will need widespread support to build new transmission assets and justify the cost implications for consumers.

While electricity costs are expected to rise over time, total energy costs are expected to decline (see **Whakamana i Te Mauri Hiko**).

We will demonstrate value by engaging widely on the future of the power system particularly through our Future Grid programme, delivering a blueprint for the future state of the power system that explores the least-regrets options to support the transition.

Deliver services that meet our customers' needs

Transpower has unique expertise to design, build, maintain and operate the grid, and to operate the electricity market. We must continue to focus on efficiently meeting customer needs to connect, prioritising consistently across all our work, as well



as delivering a successful system operator service.

We will meet performance targets as grid owner and system operator across safety, financial, customer, people, relationships and sustainability outcome areas.

Facilitate delivery of an optimised transition path for Aotearoa New Zealand's energy system

What is increasingly clear is that the current approach to transmission investment may not necessarily lead to the least-cost transition for New Zealand. A more optimised transition process could facilitate electrification at least cost while maintaining a reliable and stable system.

We will continue to seek innovative options, provide thought leadership, and advice on this optimised transition path, and advocate for regulatory settings that support the development of the electricity system.

Accelerate electrification through our asset investments

Grid-supplied electricity will be critical to enabling the greater electrification of New Zealand's economy.

Ongoing execution of our work will continue to progress, focussing on larger-scale projects expected to be necessary beyond 2035. We will continue our regional development planning with electricity distribution businesses, focus on ensuring our investments remain prudent and efficient as well as looking for innovative solutions to increase the life and utilisation of our assets.

We will accelerate the connection of generation and load through acceleration of our customer connection queue and a focus on projects that best meet New Zealand's needs.

Advance our organisational effectiveness

We have a critical role to play in fostering and preparing capability and capacity to support New Zealand's energy future. As a regulated entity, Transpower's costs are borne by all New Zealanders.

We will drive innovation through our processes, technology, and workforce capability to deliver efficiency at scale.

We will optimise our maintenance and renewal plans, develop our information systems to innovate and support new capabilities, and build leadership capability to support an inclusive and fit-for-purpose work environment. We continue to focus on cost-effective improvements and are working to continuously improve our processes, revising our business models and organisational structure where required.

Progress against our strategic priorities

Strategic Priority	Focus Area	Status	Comments
 **Enhance our social licence to operate**	Drive value from prioritised RCP3 delivery programme and secure a successful outcome for RCP4	✓	Over 5-year regulatory period, total expenditure (operating and capital) of $3.2 billion against an allowance of $3.1 billion. This is 4% above the allowance, during a period of escalating costs and supply chain disruptions. Grid performance also improved significantly during RCP3 with a yearly average of over 30% fewer interruptions than during RCP2. Performance against the average durations of interruption targets also greatly improved in RCP3. This was a great outcome for reducing impact on consumers.
		✓	Commerce Commission approval of over 98% of our proposed RCP4 expenditure.
	Develop frameworks to support effective community, landowner and iwi engagement in investment planning	◕	Animations and educational materials developed to increase awareness of electrification, infrastructure and services.
		✓	Land access and consenting better integrated into a more streamlined project delivery process. RFP for research into community, iwi and landowner models underway.
 **Deliver services that meet our customers' needs**	Embed prioritisation process for connections, Major Capex Proposal (MCP) and RCP work	✓	End-to-end acceleration programme underway to optimise planning, investigation and delivery of grid projects. Enhancements made to Connection Management Framework to speed up the customer connections pipeline.
	Deliver an effective system operator service and negotiate a successful SOSPA	✓	New SOSPA3 contract with the Authority confirmed system operator funding envelope for the next three years.
		✓	Supported work in developing market changes, data and information required to operate the future electricity system. Contributed to cross-industry initiatives including the Electricity Networks Aotearoa's Future Networks Forum and the FlexForum. Improved security of supply information provision, secured enhanced information gathering powers and worked with regulatory and policy agencies, and the wider industry, to prepare for winter 2025.
 **Facilitate delivery of an optimised transition path for Aotearoa New Zealand's energy system**	Advocate for relevant changes to regulatory settings to support rapid electrification	✓	Monitoring report on progress towards New Zealand's electrification journey published in October 2024. Supported the development of Energy Transition Framework with industry.
		✓	Analysis and feedback (including submissions) provided on regulatory and policy making including the Ministry of Business Innovation and Employment's work programme and the Government's resource management reform, Public Works Act amendments and the second emissions reduction plan.
		✓	Engaged with industry to enhance system operator coordination of tight capacity situations. Commenced review of the Security of Supply Information & Forecasting Policy, completing an initial Issues consultation.
	Influence development of effective wholesale market design and operation to support the energy system transition	✓	Supported the Authority on the future security and resilience of New Zealand's power system, including work related to common quality requirements, battery energy storage obligations, future system operations and extended reserves.
		✓	Multiple submissions made and publications issued, improving information sources that support participants to understand and operate successfully in markets.
		✓	Commitment made to operate emsTradepoint through 2025 and beyond.

Key:

- ⊗ Not achieved
- ◔ Some progress
- ◑ In progress
- ◕ Significant progress
- ✓ Achieved

Strategic Priority	Focus Area	Status	Comments
 **Accelerate electrification through our asset investments**	Develop resilience and regional planning initiatives	✓	RCP4 resilience plan for substation flooding mitigation confirmed and FY26 programme approved.
		✓	Commerce Commission approval for a major capital project and regional development plan for the western Bay of Plenty obtained. Regional plan for a more resilient and reliable electricity network in Northland published.
		◕	Improvements underway to increase resilience of Hawke's Bay's electricity supply by strengthening Redclyffe substation.
	Execute the next phases of Net Zero Grid Pathways	✓	Introductory paper on Future Grid programme of work, **Te Kanapu**, published May 2025.
		✓	Hosted a stakeholder event to discuss the future of the electricity grid.
		◕	Developed a set of scenarios that establish a base for further grid blueprint analysis and planning nearing completion for publication and consultation. Published options on proposed upgrades to New Zealand's Cook Strait electricity HVDC link.
		✓	Net Zero Grid Pathways phase 1, a significant package of work approved by the Commerce Commission to facilitate access to renewable generation, underway. Major capital projects tracking to plan, including western Bay of Plenty and Upper South Island upgrades.
 **Advance our organisational effectiveness**	Evolve our processes and end-to-end decision making to lift capability	◑	New digital inventory management improvements and upgrades completed. Enterprise Business Capabiltiy programme underway, focused on streamlining Transpower's business processes and information tools. Enhancement of vegetation management ongoing.
		✓	End-to-end acceleration programme enabled base capital programme to be delivered alongside higher volume of customer and major capital work than originally expected. Refreshed generator commissioning management and assessment process published Jan 2025.
	Build capacity required for RCP4 and forward work programme	✓	Innovation programme established, focused on key activities to support efficiency and develop new business capability.
		◕	Implementation of a new digital substation design, with three sites in detailed design/delivery stage and 15 more in investigation.
		✓	Facilities Management project process and delivery fully operational.
		✓	**Climate Adaptation Plan** published in September 2024. Implementation underway, with Dynamic Adaptation Planning Pathways training complete and investigations underway for three substations.

Key:

- ⊗ Not achieved
- ◔ Some progress
- ◑ In progress
- ◕ Significant progress
- ✓ Achieved

Engaging and connecting

The work we do has many different physical and organisational touchpoints, and we rely on close connections with our stakeholders. We engage continuously to ensure we understand their interests, strategies and activities so we can consider these within our operations and planning.

We aim to provide as many opportunities as possible to meet and hold regular in-person meetings and events, hui, including our biannual stakeholder function and regular Consumer Advisory Panel forums.

In addition to operational and industry-specific notices, webinars and forums, we provide a monthly round-up of news and events via our emailed bulletin *News from Transpower* as well as regular updates on our website, including dedicated pages for key projects.

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

We measure our engagement approach through annual surveys and feedback with key stakeholder groups, including our landowners, customers and market participants. In our role as system operator we deliver an annual education and engagement plan to the Authority, as well as monthly and quarterly performance reports and an annual self-review.

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 who neighbour our substations. Others include those in communities impacted by our assets, such as the Department of Conservation as a landowner; landowner representative bodies such as Federated Farmers, Horticulture New Zealand and the New Zealand Forest Owners Association; and developers impacted by our assets.

Iwi

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

Customers

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

Electricity industry and major users

We liaise extensively with the wider national and international 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.

Central and local government

As 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 1991 and are key contributors to our grid development plans.

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 include the Commerce Commission (regulating our economic return and performance, and representing the rights of consumers), the Authority (regulating the electricity market, setting industry standards and transmission pricing), the Financial Markets Authority (regulating our debt issuance) and the Reserve Bank (regulating the insurance activities of the company's captive insurer – Risk Reinsurance Ltd).

Materiality assessment: What matters most

Understanding what matters most to our stakeholders is vital to our operations.

We first undertook an extensive materiality assessment with independent consultancy Proxima in 2021. Since then, we have evolved our understanding of material issues to ensure we are reflecting updates to the Global Reporting Initiative (GRI)[1] standards and to deepen our understanding of the positive and negative impacts of each issue, their potential scale, scope and severity, and likely risk of occurrence.

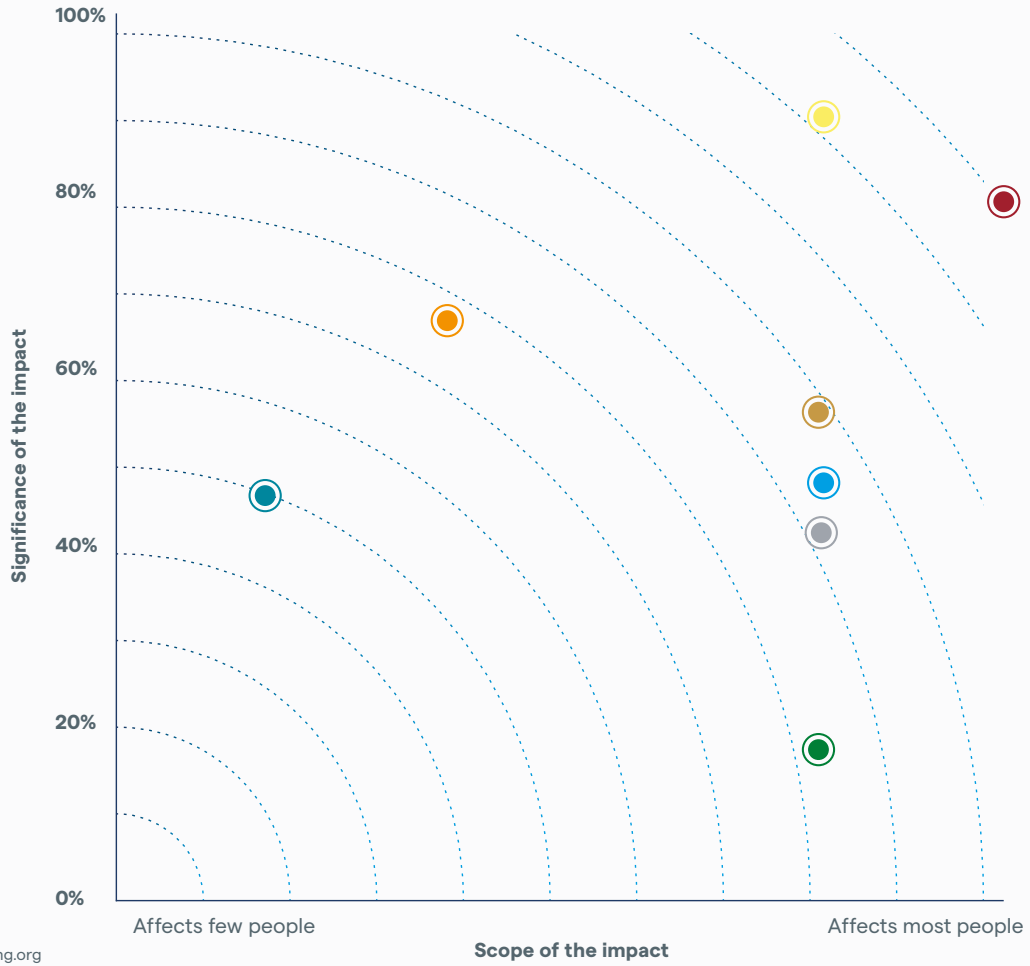
In 2025, we completed a new materiality assessment with Tonkin + Taylor. Twenty-seven experts and stakeholders were interviewed and GRI standards methodology was used to score and rank material impacts.

The assessment showed while our most significant sustainability impacts have remained largely unchanged, their order has changed. There has been a marked increase in the importance of enabling new generation and load connections for customers, to maintain confidence in security of supply as demand increases.

Stakeholders consider 'increasing the secure supply of electricity' is now the material impact that matters most for Transpower. Stakeholders are concerned about the transparency of prioritisation, timeliness, regulatory constraints, and the fairness of up-front infrastructure costs.

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

Materiality matrix



1. The independent, international organisation that provides a common language for reporting impacts. globalreporting.org

Our second most impactful 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 third most significant impact is the physical presence of our assets, affecting Māori, mana whenua, landowners, and communities. With major upgrades ahead, concerns include impacts on cultural values, land disturbance and disruption.

Significantly, the assessment has shown the interconnectedness of our priority sustainability impacts and that the issues affecting the energy trilemma (security, affordability and sustainability) are inherently linked. Stakeholders believe, that for Transpower, security of supply is the most important aspect of the trilemma, followed by affordability. Decarbonisation is a lesser priority to stakeholders.

Where some impacts rate higher than before, others have shifted lower; the risk of climate-related power outages is one. Recent weather events have proven network resilience, and recovery following Cyclone Gabrielle demonstrated that impacts can be mitigated quickly. The risk of over-investing in the network in pursuit of higher resilience is a concern.

The potential of grid assets causing harm to people and communities is also ranked lower than before, acknowledging that the likelihood of such events happening is rare.

Our **materiality matrix** has grouped the full list of impact areas assessed into eight categories. Those categories are unchanged from previous years.

However, the list of material impacts grew, and the way we name and define them has changed because of this latest assessment.

This list can be found on **pages 30-31**.

You can read about our work to address the negative impacts, and leverage the positive, within this report.

Aligning to 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's *Sustainable Development Goals Roadmap for Electric Utilities (March 2021)* to help inform where we can have the greatest impact across the following:

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 workforce and maintain an inclusive culture
- 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 context for each of the key risks, including what Transpower is doing to mitigate the risk, is available on our website **here**.

Our climate-related risks are presented in our **Climate Statement FY2025**.

	Materiality issues addressed							
Key risks	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		⊙			⊙			⊙
Cyber security 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	⊙	⊙					⊙	
Reputational risk	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Financial risk		⊙			⊙			⊙
Supply chain risk		⊙			⊙		⊙	⊙

Material issues index

Material issue	Sustainable Development Goals	Material impacts	Material impact definition	Relevant section of report
Climate change mitigation and adaptation ● Manufactured capital ● Human capital ● Intellectual capital ● Natural capital ● Social capital		Enabling more renewable energy generation to support decarbonisation	Reducing climate change impacts of the New Zealand electricity system by enabling more renewable energy generation	• Supporting research and innovation and adopting new technologies to improve and future-proof the operational performance of the national grid
		GHG emissions from non-renewable electricity generation	Climate change emissions from thermal gas and coal electricity generation in New Zealand's electricity system	• Engagement and advocacy to shape a regulatory framework that enables development of a more efficient and effective electricity system
		Transpower's Scope 1, 2 and 3 GHG emissions	Climate change impacts from GHG emissions from operating and building Transpower's assets, including transmission losses and SF_6 gas use across the grid, as well as supply chain emissions	• Choosing a sustainable future
		Power outages caused by climate-related events	Electricity supply disruptions to customers and consumers as a result of climate-related weather events	• Choosing a sustainable future
Customer and consumers ● Manufactured capital ● Human capital ● Intellectual capital ● Natural capital ● Social capital ● Financial capital		Power outages caused by insufficient electricity supply	Electricity supply disruptions to customers and consumers due to insufficient supply to meet demand	• Managing our assets wisely • Delivering more by partnering with others
		Enable new grid connections to increase electricity supply or to meet new load	Facilitating and enabling new generation connections to meet anticipated demand or load connections to meet new demand, and ensure a secure supply of electricity	• Managing our assets wisely • Delivering more by partnering with others
		Electricity affordability	Cost impacts to customers and consumers of maintaining and developing the transmission network	• Managing our assets wisely • Delivering more by partnering with others • Choosing a sustainable future
Community and landowner relationships ● Manufactured capital ● Human capital ● Natural capital ● Social capital		Injury and harm to communities	Material injury or physical harm suffered by members of the public resulting from the presence, operation and maintenance of transmission lines	• Choosing a sustainable future
		Physical presence of transmission assets	Visual and physical disruption caused to landowner rights and mana whenua cultural values due to the presence of transmission lines and associated structures	• Choosing a sustainable future • Choosing a sustainable future

Material issue	Sustainable Development Goals	Material impacts	Material impact definition	Relevant section of report
Advocacy Human capital Intellectual capital Natural capital Social capital Financial capital		Innovation and technology for the electricity system	Supporting research and innovation and adopting new technologies to improve and future-proof the operational performance of the national grid	• Managing our assets wisely • Delivering more by partnering with others • Choosing a sustainable future
		Regulatory changes enabling a more efficient and effective electricity system	Engagement and advocacy to shape a regulatory framework that enables development of a more efficient and effective electricity system	• Choosing a sustainable future
Environmental Stewardship Manufactured capital Human capital Natural capital Social capital		Harm to the natural and physical environment	Physical harm and pollution to air, land and water arising from operating, maintaining and developing the national grid	• Choosing a sustainable future
Future workforce Human capital Intellectual capital Social capital		Workforce competency	Developing the competency and wellbeing of the electricity transmission sector workforce through training and skills development	• A sustainable business
		Health, safety and wellbeing of employees and contractors	Adverse impacts on the health, safety and wellbeing of Transpower's employees and contractors	• A sustainable business
		Challenge of attracting and retaining talent	Sustainable development of New Zealand's energy system is undermined by a lack of skills, knowledge and experience at Transpower	• A sustainable business
		Diversity, equity, inclusion and belonging	Developing a positive organisational culture that fosters innovative thinking and maximises employee wellbeing and engagement	• Delivering more by partnering with others • Choosing a sustainable future
Good governance Human capital Intellectual capital Social capital Financial capital		Integrated thinking undermined by short-term planning	Short-term financial drivers undermine achievement of long-term strategy to enable decarbonisation of New Zealand's energy system	• Managing our assets wisely • Our business
		Sustainable procurement	Supply chain impacts on people, the environment and the economy from procurement choices	• Managing our assets wisely • Choosing a sustainable future
Cybersecurity Manufactured capital Human capital Intellectual capital		Cyber attack risks	Potential social and economic effects from cyber attacks on the electricity market and the integrity of the national grid	• Delivering more by partnering with others • Choosing a sustainable future

MANAGING OUR ASSETS WISELY

On behalf of the people of New Zealand, we manage more than $5 billion worth of electricity assets, ensuring they work together to move electricity from where it is generated, to where it is needed.

Effective asset management means we must learn from the past, meet the needs of today, and all the while, maintain a focus on the future. We must innovate, collaborate, invest prudently and advocate for change where we believe it is needed.

Grid-supplied electricity remains critical to enabling the greater electrification of the economy. We manage New Zealand's electricity assets wisely to ensure they continue to enable electrification and economic growth, and that they serve the people of New Zealand today and into the future.

CHEN

SYSTEM PLANNING MANAGER
12 YEARS AT TRANSPOWER

The most rewarding part of my job is responding to new challenges under pressure. It brings out the best problem-solving skills in myself and my team, and spurs us on as we design and shape the future of the grid.

Overview

Our next five years of investment

In November 2024, we received the Commerce Commission's final determination on our proposed expenditure for RCP4, spanning 1 April 2025 – 31 March 2030.

We are forecasting an increase to base capital expenditure as we grow to deliver the intensified replacement and refurbishment programme needed to maintain the existing network, and additional work to enable new generation and load.

During RCP4 we will deliver:

- a reliable and safe network: minimising interruptions at lowest whole-of-life cost, where assets are maintained and replaced in line with good electricity industry practice, and where safety risks to our staff, contractors and others are minimised;
- a resilient network: avoiding extended power outages and restoring power quickly when major events occur;
- an enhanced network: ensuring capacity is in the right place at the right time and customers continue to receive a reliable and secure transmission service that meets their needs as loads grow and change; and
- a sustainable network: reducing our carbon footprint to ensure we can achieve a 44% reduction in our Scope 1 and 2 emissions (excluding transmission loss emissions), and a 15% overall reduction in our overall emissions by 2030 relative to 2021, in our aim to reach a net-zero target by 2050.

Major transmission projects

In addition to our RCP4 work, we will need to deliver significant new customer connections and major projects, to maintain a reliable and safe network while enabling Aotearoa's electrification.

Our Net Zero Grid Pathways programme is a $393 million, multi-year programme of work set to enhance the existing grid backbone between now and 2035. Work is underway on three key projects to get more out of existing grid assets in the Central North Island, around the Wairakei area, and to improve availability on the HVDC link between the North and South Islands.

We currently have a further eight MCPs underway to deliver upgrades that will extend both the life and the capacity of our assets, and support regions to grow.

These projects include:

- Upper North Island: As the mix of generation type in this region changes, we are considering the best mix of solutions to keep voltage stable and maintain a reliable power supply. As part of this work, we are also looking at solutions to increase the capacity of the grid into Auckland.
- Western Bay of Plenty: In June we received Commerce Commission approval of our December proposal for an $86 million investment spanning the next 10 years, as

part of the western Bay of Plenty Regional Development Plan, developed in collaboration with Powerco.

- Hawke's Bay: In 2023, Cyclone Gabrielle caused widespread damage across the region and flood waters at the Redclyffe substation triggered power loss across the region. In this project we are working with local lines company Unison to rebuild the substation with increased resiliency. We submitted our MCP to the Commerce Commission in June.
- Upper South Island: Electricity demand is expected to grow. Without investment in transmission or local generation, the region could face capacity constraints by 2028. Maintaining voltage stability to avoid disruptions is also important but challenging due to the long distances electricity must travel from the Waitaki Valley to Christchurch and further north, to the top of the South Island. We are investigating possible investments with a preferred option identified and shared. We submitted our MCP to the Commerce Commission in August 2025.
- Queenstown: Rapid growth and electrification means new infrastructure is needed. This year we installed two new transformers at the Frankton substation and later this year work will begin to upgrade the transmission lines from Cromwell to Frankton. We are working with Aurora Energy and PowerNet to plan and secure Queenstown's long-term energy security.

Te Kanapu: The future of the grid

In 2024, we created a new Future Grid division and in May this year launched

Te Kanapu, a new initiative to guide stakeholder discussions and inform our planning for grid investments to 2050 and beyond.

Te Kanapu is a step on from our groundbreaking 2018 **Te Mauri Hiko**, and 2020 **Whakamana i Te Mauri Hiko**, which identified the potential for renewable electricity and the energy sector to enable the electrification of our nation's economy.

Through Te Kanapu, we will envision a range of possible scenarios for what New Zealand could be like in 2050, asking what the grid will need to be to ensure a reliable and affordable electricity supply enables our future thriving, net-zero New Zealand.

The outcome of these discussions will guide our future investments and our intention is to publish a 'grid blueprint' for consultation mid next year. By providing a blueprint of our intentions, the energy industry will be better able to coordinate and optimise their own plans.

Our first consultation in the Te Kanapu work programme, asking for stakeholder's views on Aotearoa New Zealand in 2050, was released in July 2025.

Refreshing our communications network

Electricity system assets are more than just the towers, conductors and substations. Hidden from view is our equally critical fibre optic and radio telecommunications network which connects all our sites. Without it, we wouldn't be able to protect, monitor and control grid assets or run the wholesale electricity market 24/7 in real time.

The current Transpower Grid Operations network – also known as TransGO – has reached its end-of-life and needs to be replaced with modern infrastructure that can support us as we bolster digitisation, improve mobility and embrace cloud services, ultimately achieving a more transparent grid via high-resolution, real-time data.

This year we have appointed Spark NZ to carry out a refresh and provide ongoing services and support. The programme will roll out over the next four years, impacting all substations and sites.

Pole 2 refurbishment: Buying time

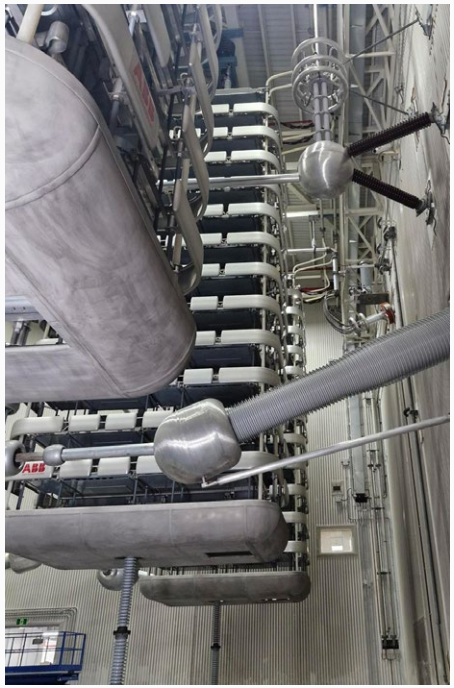
Addressing our material issues

- Customers and consumers
- Advocacy
- Good governance

Addressing our capital issues

- Manufactured capital
- Human capital
- Intellectual capital
- Financial capital

When it has never been done before and there is no process to follow, you must chart your own path. The completion of this five-year programme of 30 individual projects has extended the life of Pole 2, deferring costly investment and asset replacement.



This year we completed a five-year, 30-project campaign to extend the life of a vital part of the HVDC link.

The 1200 MW link is the only connection between the North and South Island's electrical systems and it typically transfers electricity from the South to the North.

Key components in the link are Pole 2 and Pole 3, which convert electricity between direct and alternating current and have a design life of 30 years. Pole 1 was retired in 2007 at the ripe old age of 43.

In 2016, with Pole 2 approaching retirement, and the cost of a replacement budgeted at around $1 billion, the decision was taken to extend its life to 50 years, through a mid-life refurbishment at a cost of $63 million. This has never been done before, so we had to design and deliver the approach from scratch.

The work was staged with 30 projects over five years to reduce outages and maximise the value of the refurbishment. Projects included upgrading control systems; replacing a primary and auxiliary plant; seismic upgrades; and modernising, refurbishing or replacing thousands of critical components.

The highly specialised programme was complicated to plan and implement. Any failure of the Pole would have had major implications.

Regardless, the project was successfully completed on time and under budget despite the constraints of the COVID-19 pandemic and natural disasters. This was due to careful planning and the team's ability to solve complex problems on the go.

Careful planning for outages

Due to their importance, HVDC poles are typically only removed from service once a year for short maintenance outages. In this project, these four-day outages were extended to between 10-20 days which still provided only a small and tightly controlled opportunity in which to get a monumental volume of work completed.

In the January 2025 outage alone, around 150 service provider and contractor workers were involved, working alongside Transpower. Even still, this was only half the 300 people needed in 2024.

Meticulous planning and coordination was critical to managing resources, outages, health and safety, and contingencies for unforeseen events, such as the diversion of resources to Hawke's Bay following Cyclone Gabrielle in 2023.

Nothing was straightforward. Even a 'simple replacement' was never that simple. Old porcelain bushings were replaced with modern composite ones, eliminating the risk of fire and explosions while enhancing seismic performance.

However, the new bushings had to be completely customised to fit and thoroughly type-tested to ensure they met the required Transpower specifications. This included dielectric type testing, cantilever load withstand testing, seismic qualification testing on a shake table, temperature rise testing and destructive mechanical testing - all conducted in Europe.

Delivering benefits to everyone

The refurbishment option cost significantly less than a replacement, avoiding increased costs for consumers. It also meant the continued operation of a critical piece of infrastructure while the work was underway.

By extracting more life from existing assets and implementing a novel approach to the work, our communities can be confident that Transpower is working in the best interests of the country, choosing a more sustainable approach and seizing opportunities to enhance the performance of its assets.

This project won Energy Project of the Year at the 2025 Energy Excellence Awards.

HVDC components

Our HVDC link is made up of four key components: Pole 2, Pole 3, the overhead lines, and the cables under the Cook Strait. To learn more about how we are ensuring this critical infrastructure remains reliable and delivers security of supply for New Zealand, see **page 38**.

HVDC upgrade: smoothing the way for future generations

Addressing our material issues

- Customers and consumers
- Advocacy
- Good governance

Addressing our capital issues

- Manufactured capital
- Social capital
- Intellectual capital
- Financial capital

When it's time to replace an asset there is always one key decision that's needed: do we choose like-for-like or upgrade in anticipation of future needs? When the project represents a once-in-a-generation investment, achieving consensus on a solution is an even bigger challenge.

Nothing, no matter how well built, can last forever and New Zealand's electricity assets are no different. We have some big decisions ahead about whether we replace ageing assets like-for-like, or upgrade in preparation for future growth.

Transpower has sought views on what next steps it should take as the HVDC underwater electricity cables connecting the North and South islands, and the related control system, reach their end-of-life. The potential $1.4 billion price tag for the seven-project programme of work means making the right decision is even more critical.

Our view is that when we replace the existing cables, there's a strong case to be made for installing a fourth, which would mean the link can support an additional 200 MW of electricity transfer.

Procurement planning

We've been working on this project for some time in preparation for the replacements that are due around 2031. The equipment we need, and the expertise to install it, is in high demand as global economies electrify. Supply

is limited and we've had to navigate long lead times and up-front costs to secure our place in the queue.

With a cable production start date that is still some years away, getting a supplier onboard to manufacture and install the cables was this year's major win, achieved thanks to the relationships we've been investing in for many months. It helps to have a positive reputation internationally, and that our unique HVDC set-up is of great interest to others.

Cable manufacturer Prysmian will produce the replacement cables in Italy before shipping them to New Zealand and installing them.

Consultation and engagement

We recently completed consultation regarding the wider programme of work, including a proposed upgrade to the control system and cable termination stations. The cable termination buildings need work to ensure they meet modern standards for earthquake and tsunami resilience.

Completing these projects together will minimise any impact on the electricity system and ensure cost efficiencies.

The net result will be a more resilient asset and an increase in the maximum amount of electricity that can be transferred between islands under normal conditions and provide more back-up in the case of an unplanned outage.

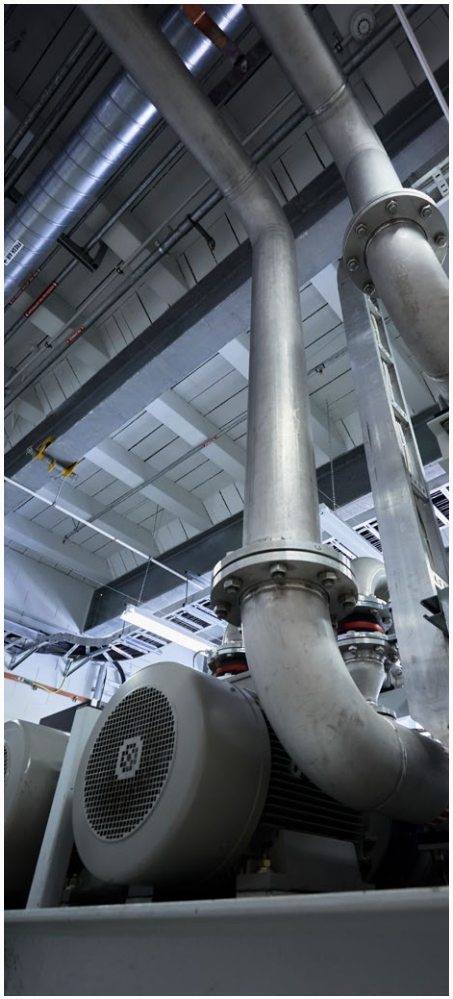
While we see this as a prudent and cost-effective investment, we want to know what others think, especially as the cost would be borne by consumers over the 40-year lifespan of the assets.

A broad cross-section of the electricity sector provided input into our latest consultation, including generators, distributors, major industrial users and industry associations. The majority strongly support the need for HVDC investment to maintain system reliability, support decarbonisation and meet future demand.

We will submit our application formally for this investment to the Commerce Commission later this year, following an independent review to ensure we have followed a prudent investment approach.

Engaging with the broader community on underwater electricity assets can be challenging, but we have sought regular media coverage to build consumer awareness of the decisions that must be made to secure our energy future.

As with all our major works, the different benefits, challenges and trade-offs must be weighed up. By engaging now, we hope to reach a shared understanding that enables decisive action, ensuring we can stay ahead of our future needs.



Extreme space weather creates stunning light shows... and grid emergencies

Addressing our material issues

- Customers and consumers

Addressing our capital issues

- Social capital
- Human capital
- Intellectual capital

Two recent space weather events could have caused significant disruption to electricity supply through geomagnetically induced currents. Fortunately, Transpower was well prepared thanks to its collaborative approach and ongoing contingency planning that began in 2001.

In January 2025, as people in New Zealand enjoyed stunning light shows from a geomagnetic storm, Transpower was activating its space weather contingency plan for the second time this year, to protect the grid and ensure electricity was not disrupted.

Extreme space weather is when the Sun ejects billons of tonnes of charged particles (plasma) in Earth's direction, interacting with the earth's magnetic field. Most of the time, people don't notice anything, unless they're lucky enough to see a strong showing of the Aurora Australis, or Southern Lights. However, these events can cause geomagnetic storms that send damaging currents through electricity transmission systems.

Our team has been monitoring these phenomena since 2001 and we have well developed contingency plans in place. We are part of the Electricity Industry Space Weather Working Group and are partners in the Solar Tsunami Endeavour Programme, an international research collaboration led by the University of Otago.

Our planning has served New Zealand well

In May 2024, the planet experienced the effects of geomagnetic storm Gannon; the largest such storm in 25 years. As New Zealand's system operator, we declared a Grid Emergency and, following our developed and tested response procedure, as grid owner we removed some transmission circuits from service to reduce the magnitude of the damaging geomagnetically induced currents flowing in the system. We did the same again in January 2025, due to the onset of another severe geomagnetic storm.

While consumer supply was unaffected, it could have been a different story if the event had been larger. Space weather is now listed as a nationally significant risk by New Zealand's National Emergency Management Agency (NEMA).

Twenty years of preparation

We have spent 20 years building our knowledge and investing in our preparedness.

We have developed processes and procedures for managing the network with New Zealand's major generators, and worked with the Authority to prepare rules about how the electricity market will be managed, should we need to act decisively in another event.

Work has also included creating greater situational awareness and warning processes within our role as system operator, creating targeted plans for circuit switching and managing system stability, and working with key customers to proactively plan options to help them develop their own mitigations.

We are also working on options to increase the system's robustness to extreme geomagnetically induced currents. One of these is to install blockers that prevent such currents from flowing, to reduce the impact of an event. Due to their cost of $2 million each, we are working to identify the most appropriate locations for these, for maximum protection at minimum cost.

Our focus has also been on studying other potential short-term system and economic impacts, and we are working with industry to explore how to communicate this topic effectively with our communities.

Collaboration is key

Tight collaboration, and open and transparent communication between the scientific community and electricity participants is essential. We are working with international research partners, grid and system operators, the National Aeronautics and Space Administration (NASA) and European Space Agency (ESA) amongst others, to share knowledge and contribute to the development of international standards and mitigations.

Although New Zealand is a small player on the global stage, our size is a definite advantage. Being small means we are nimble and can quickly adjust. We focus on collaboration, as we are in no position to solve things alone, so we excel at building relationships and trust.

Following the January event, we have been able to share our real-time experience, and extensive data and validated simulation results with the international community, supplementing the international body of knowledge.

Preparation provides confidence

Despite Transpower calling a Grid Emergency twice in the past year, recent space weather events have been well managed, and planning for future events and possible mitigations is well in hand.

> It will very likely happen sometime in my lifetime that we at least have a geomagnetic storm that is risky, and the amazing thing is you can protect from these, and New Zealand leads the world.
>
> ... It's something we need to be ready for.
>
> **Dr Michelle Thaller, former Director of NASA's Goddard Space Flight Centre, as told to and reported on 1News**

Switching it off to switch it up

Addressing our material issues

- Customers and consumers
- Good governance

Addressing our capital issues

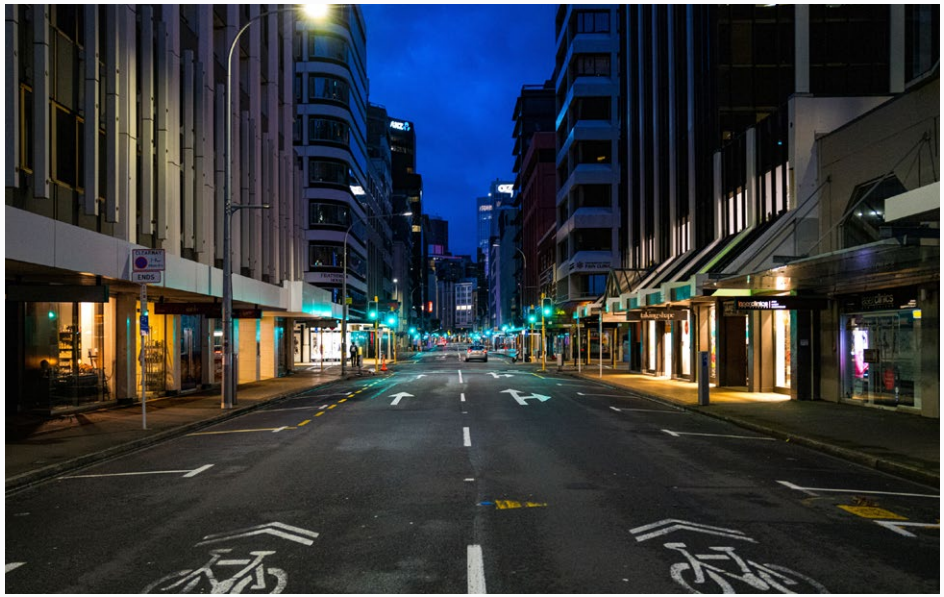
- Manufactured capital
- Human capital
- Intellectual capital
- Financial capital

To ensure we can deliver the power system New Zealand needs to thrive now and into the future, we need to accommodate an increasing volume of behind-the-scenes work that supports system performance. Outage planning has never been more important.

A good day for the electricity system is one when everything works as it should. No one notices when circuits and assets are switched in or out, power remains uninterrupted, stable and secure.

Behind that simple outcome is a complex, interconnected system of millions of moving parts spanning the transmission and distribution networks, all kept in perfect working order by thousands of highly skilled workers all around the country.

Every day, keeping things working means turning things off.



The grid alone needs around 8,000 outages a year for critical maintenance and upgrades - and only a handful of small sites require consumers to go without power while the maintenance, refurbishment or replacement work is carried out.

Then there are thousands more outages needed by lines companies and generators completing their own projects. Every outage creates risks to supply, equipment and people that must be carefully managed.

With electrification and growth, new assets must be safely integrated into the network to increase capacity, improve system efficiency, and enable new connections.

Accommodating all this work safely and cost effectively requires careful planning and coordination from within Transpower.

Business as usual is not an option

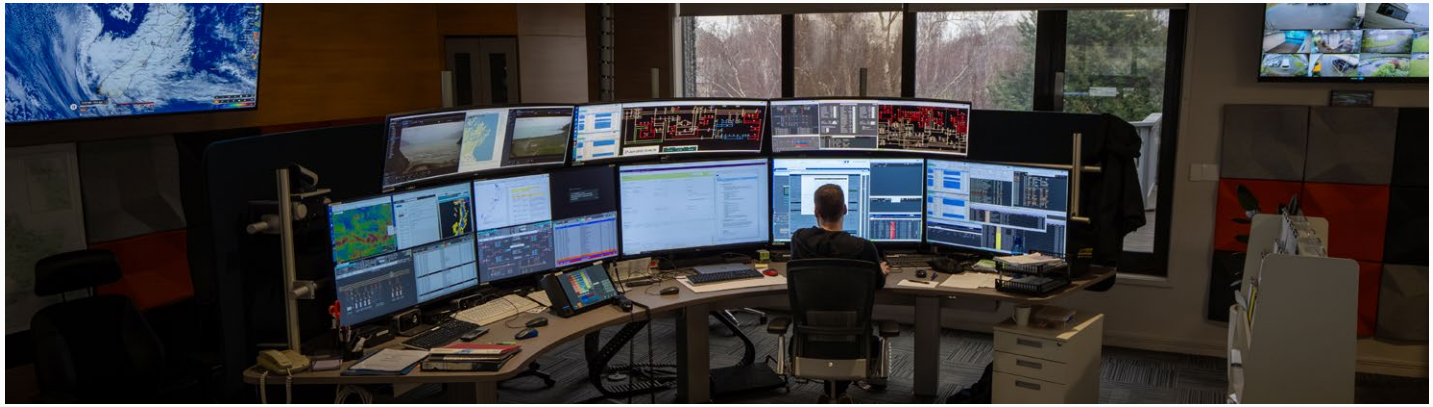
The number of outages needed in future is set to increase significantly. If we carry on doing things the way we always have, then we could need anywhere between 30-40% more outages per year.

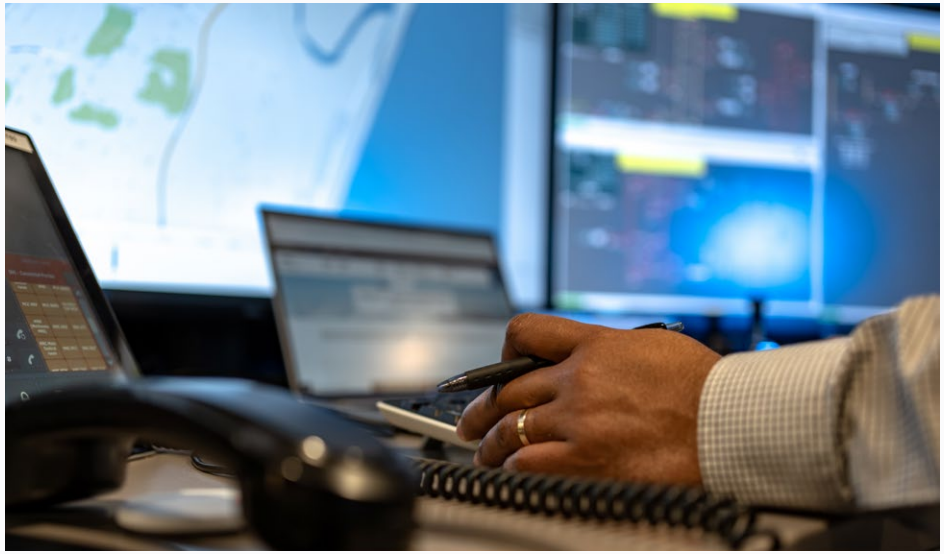
Instead, we are committed to changing the way we work and have recently completed a deep dive into how we plan these outages to drive efficiencies.

As grid owner, we are investing in processes and tools to optimise the number of outages needed as well as the timing at which they occur, to reduce their impact, risk and cost. We are also overhauling our internal outage

planning process to do significantly more without needing an equal increase in people.

As system operator, we are developing a plan to improve the outage coordination process and tools to help all asset owners. This includes upgrades to our Planned Outage Coordination Protocol portal, advising industry of the timing and implications of outages, as well as to our New Zealand Generation Balance planning tool for forecasting potential supply tight spots. We continue to evolve our industry communications approach and channels.





Adopting a tried and true approach

One key finding of our deep dive affects future work on the set of lines near Taupō known as the Wairakei Ring. These lines are critical to connecting generation in the region. For future work we will adopt a campaign management approach similar to that used to manage work and outages on the HVDC system.

In practice, this means we will identify the most optimal time of the year to have these circuits out of action and then plan the work within this outage window.

This allows us to minimise the time these assets are on outages, better coordinate with multiple service providers, and maximise the amount of work we can complete in any given year. For industry, it will give greater certainty around the extent and timing of impacts on the wider power system.

While the changed approach won't take effect until the 2026/2027 Annual Outage Plan, we are offering industry that certainty now, as a key enabler of advanced planning.

Material issues in this section

A summary of the material impacts outlined in this section and, where relevant, how we are addressing these across the business.

For more detail on material impacts, visit the website **What matters most? | Transpower**.

Material impact	Description	Actions and commitments
Power outages caused by insufficient electricity supply	Electricity supply disruptions to customers and consumers due to insufficient supply to meet demand	• Signatory to the Energy Transition Framework • Industry exercises planning for emergency situations • Managing the electricity system through improved supply and demand information resources
Enabling more renewable energy generation to support decarbonisation	Reducing climate change impacts of the New Zealand electricity system by enabling more renewable energy generation	• Increase in MW of renewable generation connected annually • Continued work to improve connection process services for customers • End-to-end acceleration programme to increase efficiencies • Green Bond financing framework
Power outages caused by climate-related events	Electricity supply disruptions to customers and consumers as a result of climate-related weather events	• Electrification, resilience and sustainability commitments included in our RCP4 work programme • Annual Climate Statement and resilience and climate change adaptation planning • Redclyffe substation rebuild planned to higher resilience standards
Innovation and technology for the electricity system	Supporting research and innovation and adopting new technologies to improve and future-proof the operational performance of the national grid	• Drone programme to improve our grid maintenance • LiDAR initiative for vegetation management • Digital Switch management programme • Special protection system at Fonterra Edendale site • Biennial Engineering and Technology Excellence Awards • Exploring non-transmission alternatives
Integrated thinking undermined by short-term planning	Short-term financial drivers undermine achievement of long-term strategy to enable decarbonisation of New Zealand's energy system	• Net Zero Grid Pathways programme • Continued thought leadership via *Whakamana i Te Mauri Hiko* monitoring • Establishment of a Future Grid division and Te Kanapu initiative

DELIVERING MORE BY PARTNERING WITH OTHERS

We are part of a system that has people at its heart: industry participants, innovators, policy makers, regulators, customers and the communities we serve. Like all systems, we are deeply interconnected and reliant on each other.

The challenges we face as grid owner and system operator cannot be solved by any one participant; rather, solutions will come from collaboration. There is much that can be learned from others.

We work closely with our customers and with industry to address some of the biggest challenges we face as our nation electrifies. We work with our communities to ensure their support for the things we aim to achieve.

Together, we can deliver a secure, sustainable and affordable electricity system that enables growth across Aotearoa New Zealand.

MIKE

NATIONAL DELIVERY MANAGER INVESTIGATIONS

4 YEARS AT TRANSPOWER

We work every day to stay ahead of the electrified future that's coming. We're dedicated to collaborating well with customers and stakeholders to investigate and progress their projects as swiftly as we can. This has a positive impact – more connected generation will help keep New Zealand a great place to live and work!

Overview

Coming together on the Energy Transition Framework

We are proud to be a signatory to the Energy Transition Framework, alongside more than 40 other members.

Launched in April, the framework reflects the need for whole-of-system thinking, and brings together a mix of deep industry expertise, independent advice, and regulation to develop robust solutions to the most critical issues we face.

It is a landmark commitment to working collectively, and urgently, to ensure our energy system remains secure and affordable as it transforms, and that it supports a high-growth economy.

The core parts of the framework include:

- a key set of objectives that we are all working towards for the transition,
- a set of key metrics we can publish so that New Zealand can understand progress on the transition, and
- a commitment to come together and assess progress on key issues, and take further actions to help resolve them if required.

Global and local connections

Transpower is active within industry both here and internationally. We are members of CIGRE; the International Council on Large Electric Systems, which promotes collaboration between experts from all around the world, and Edison Electric Institute, which represents investor-owned electric companies, including more than 70 international electric companies. Our membership of the Association of Power Exchanges (APEx) links us with other market operators across the globe, and we are also part of specialist technical groups such as of HVDC link owners.

Closer to home, membership includes association groups such as the Electricity Engineers' Association, the Sustainable Business Council and the New Zealand Association for Training and Development.

We are also a member of the Climate Leaders Coalition and Champions for Change, a collective of leaders who connect, learn and lead change for working communities and cultures across New Zealand.

In August 2024, we took on the sponsorship of Mana Wāhine (now Ngākau Hihiko), a network that supports and connects women across New Zealand's power sectors. Celebrating our women and women in engineering is important to us.

Giving back to our communities

The CommunityCare Fund is our long-running grants programme, established in 2007 and providing support for local projects in those communities most affected by our above-ground assets.

This past year has seen $809,000 allocated, including a playground upgrade for Halfway Bush School in Dunedin, technology for Life Education in Rotorua and an upgrade of Golflands Reserve in Auckland. Read more about the projects benefitting from the fund on our website: **CommunityCare Fund.**

Through the Business and Community Fund, Transpower has marked another year of partnership with Nau Mai Rā, specifically The Whānau Fund Charitable Trust, which supports whānau on their journey to energy wellbeing through community partnerships to deliver power literacy education, healthy homes initiatives and bill support. By May 2025, our contribution allowed The Whānau Fund to support 900 households, having a positive impact on 3,493 individuals.

Transpower's support is also directed to the AWHI Programme which provides support with winter power credits as well as identifying whānau for services such as power education and healthy homes. Of the recipients of the various services, 63% reported improved physical wellbeing, 83% reported improved mental wellbeing and 31% reported new skill development. Of those that participated in power education, 93% had a better understanding of energy use, and 57% experienced a positive change in their energy bills.

Working with our regions

We continue to work with lines companies and stakeholders at a regional level, to understand more holistically their needs for the future and where investment will be required.

By aligning to a shared vision and adopting an integrated approach to planning, regional planning has enabled us to identify more efficient and effective ways to support our customers and their journey to electrification.

In June we received Commerce Commission approval of our proposal for an $86 million investment spanning the next 10 years, as part of the western Bay of Plenty Regional Development Plan, developed in collaboration with Powerco.

We also have approximately 200 MW of electrification projects progressing within the Murihiku Southland Electrification Development Plan, which was developed with local lines company PowerNet.

In the year ahead we will be refreshing our Auckland Strategy and expect to progress work on both a Tararua Regional Plan and a Taranaki Regional Energy Plan, alongside our work to progress reliability and resilience initiatives with local lines company partners for Te Tai Tokerau Northland.

Highlighting innovation and success

Recognising success across our industry is a key part of how we thank and acknowledge those who work alongside us. Every year we run either our health, safety and wellbeing-focused STAR Awards, or our Engineering and Technology Excellence Awards for industry.

We know these dedicated award events are a highlight for the industry. and the quality and quantity of entries grows every year. Not only do they provide a chance to recognise and celebrate, but build our collective knowledge and provide an opportunity for others to learn from the best.

You can read more about innovative projects and people on our website: **Celebrating our people**.

An ongoing commitment to emsTradepoint

In May, we announced our commitment to continue to own and operate emsTradepoint, New Zealand's leading gas and carbon trading platform, for the foreseeable future.

emsTradepoint provides an electronic trading platform that enables the transparent and efficient trading of gas and carbon products. The platform supports spot and forward trading, creating essential price signals for the New Zealand energy market.

As we continue to navigate the complexities of the energy transition, and with security of supply a critical focus for us, we believe we are best placed to continue to operate the platform, ensuring market participants can trade with confidence through 2025 and beyond.

A focus on resilience for Northland

Addressing our material issues

- Customers and consumers
- Good governance
- Climate change mitigation and adaptation
- Community and Landowner relationships
- Future workforce

Addressing our capital issues

- Manufactured capital
- Human capital
- Social capital

Following the June 2024 tower fall and the subsequent outage affecting all of Northland we have reflected on how we and our service providers operate and initiated improvements to better serve electricity consumers in the region.

Together with our electricity distribution partners we have developed a new plan for infrastructure investments, and alongside Omexom and Northland Inc, have enabled a new fund for economic growth in the region.

We have reviewed our training of service providers; re-examined our lines and structures programme; reconfirmed our expectations around supervision; and have introduced a new induction course that must be completed before staff start working on our assets. We have also enhanced our assurance processes and reviewed our specifications around transmission lines work.

Resilience, reliability and an Energy Bridge

In December 2024, together with Top Energy and Northpower, we published an emerging plan for infrastructure investments to ensure a more resilient, reliable electricity network.

We are taking separate and collaborative action to reduce the impacts of major weather events and outages with a range of upgrades and proactive improvements. The plan also outlines options for future investment that could further support resilience and enable new renewable generation and load growth.

The concept of an 'Energy Bridge' was developed in Northland, taking a holistic approach to addressing the region's energy potential and challenges. It is a set of infrastructure investments that can better enable Northland to benefit from its abundant natural resources, supporting generation developers and new commercial and industrial electricity consumers seeking renewable electricity sources.

The Energy Bridge would also take advantage of the significant network capacity already available on the national grid between Marsden and Auckland, providing the ability to export electricity southwards.

Find out more on our website: **Resilience, Reliability and an Energy Bridge for Te Tai Tokerau Northland**.

Resilience fund for the region

Together with Omexom, we have established a $1 million fund to support resilience initiatives and projects that will deliver long-term economic benefits for the community.

With support from the fund, Northland Inc will lead the development of a Regional Infrastructure Strategy to align regional priorities and create a clear roadmap to leverage investment opportunities.

The first allocation of funding was welcomed by stakeholders as a ‘game-changing investment’ with the delivery of up to $250,000 in seed funding to establish a

While the reason for the Impact Fund came from a significant challenge, the opportunities the Fund has brought to Northland businesses can't be underestimated. In tough times where funds are limited, it's wonderful to be able to support worthy initiatives for our local communities. Without the Impact Fund, many of these initiatives wouldn't be happening. Collaborating with Transpower, Northland Inc and NorthChamber on this was a great example of working together for the benefit of business in our region.

Leah McKerrow, CE NorthChamber

Health Simulation and Training Centre at the new knowledge, education & arts (KEA) hub in Whangārei and the establishment of the Te Tai Tokerau Impact Fund supporting small businesses with forward-thinking projects that benefit Northland's businesses, communities and economy.

Actions taken following the tower fall

Transpower provides monthly updates on its progress against the 95 recommendations made across the four investigations conducted following the event. These updates are available on our website: **Tower fall investigations**.

At the time of publishing:

- We had completed 19 of the 24 recommendations made by the Authority; of these, 15 were approved by the Authority, with four more completed but pending sign-off from the Authority.
- We had completed all 40 of the recommendations from the grid owner's report (report conducted by Dan Twigg).
- We had completed six of the seven recommendations from the report we commissioned as system operator.
- We had completed all 24 recommendations from the Omexom report.

A ‘first for Fonterra’ delivers new approach to decarbonisation

Addressing our material issues

- Customers and consumers
- Climate change mitigation and adaptation

Addressing our capital issues

- Manufactured capital
- Social capital
- Intellectual capital

Providing enough power for Fonterra’s first ever electrode boiler at Edendale meant overcoming a series of unique challenges: capacity, procurement, system protection, and even water quality. A team effort and commitment to innovation saw the project delivered on time and under budget.

In mid-2023, when the condition of two coal boilers risked milk processing capacity at Fonterra's Edendale site, a bold electrical solution emerged in spite of numerous constraints.

The traditional approach would take over three years to complete but Fonterra required a solution in 12 months to ensure security of steam supply and therefore milk processing. The option of reducing Edendale’s manufacturing capacity for several years was off the table and so a ‘first for Fonterra’ solution had to be found.

There were several challenges to overcome, including how to access additional electrical capability from the existing Transpower substation, how to design and procure an electrode boiler within the compressed timeframe, and even how to develop feedwater treatment to meet the higher standards required by the new technology.

In each instance, the expertise of partners and their commitment to innovation meant

solutions were found. However, the key challenge was one of system protection and how to manage the potential for equipment failure at the plant without it affecting the wider electricity system or damaging infrastructure.

It was not possible for Fonterra to gain the extra 20 MW power it needed to run an electric boiler without overloading Transpower’s grid equipment that supplied Fonterra and other customers from our Edendale and Brydone substations.

Getting the job done

To solve the protection issue, our team of engineers and technical specialists in collaboration with Fonterra and PowerNet settled on the development of a non-traditional Supervisory Control and Data Acquisition (SCADA)-based special protection scheme that would automatically reduce load at Edendale within four seconds if a fault occurred.

This would prevent transmission equipment from becoming overloaded; other connected parties would not notice any impacts.

At Fonterra, we are committed to transitioning to more sustainable energy sources. When evaluating the best energy option for our decarbonisation projects, we consider a range of factors, including security of supply, cost, and overall sustainability outcomes. The collaboration with Transpower to develop a novel SPS has enabled Fonterra to implement a critical energy security and decarbonisation investment — which has provided a proven solution for future decarbonisation from existing constrained electrical infrastructure across New Zealand.

Linda Mulvihill,
General Manager Energy and Climate, Fonterra

This approach was expected to significantly reduce delivery time but offered no guarantee of success and required an intensive research and development effort.

It was an ambitious and complex piece of programming that, whilst theoretically achievable, had never been attempted before.

The proposed approach required input from our operations team; IT specialists; protection, automation and network engineers; plus counterparts at local lines company PowerNet and Fonterra, who also needed to make significant developments to their systems.

Ultimately, the work was completed on time and under budget, made possible by leveraging international and national expertise with many people working collaboratively and quickly.

The flow-on effect

The implementation of this special protection scheme, buying time for the long-term solution off a new GXP, has paved the way for Fonterra's future decarbonisation efforts, unlocking and de-risking an entire pipeline of work providing energy security at pace and scale.

Fonterra now has a proof of concept for its next electrode boiler installations and has reduced its Edendale facility's annual emissions by a forecast 37,500 tCO_2e, a circa 10% reduction in the site's overall emissions.

The success of the project has given Fonterra the confidence to commence installation of more electrode boilers, diversifying its ability to meet decarbonisation goals and increasing capital efficiencies.

Five electrode boilers and three resistive element boilers were approved in FY25.

This project won the Large Energy User Initiative category at the 2025 Energy Excellence Awards.

Increasing the throughput of new connections and commissioning

Addressing our material issues

- Customers and consumers
- Good governance

Addressing our capital issues

- Manufactured capital
- Social capital
- Intellectual capital
- Financial capital

As our economy electrifies, and renewable electricity generation becomes increasingly competitive, we're managing an increasing number of connection projects for both new generation and new demand. We're leaving no stone unturned in our efforts to streamline our processes, make it easier for our customers and increase the speed at which we move projects through the connections pipeline.

Establishing new connections to the grid has grown from a relatively tiny proportion of Transpower's base workload to almost 20%, while data shows this workload is only going to increase.

As we ended the financial year on 30 June 2025, for new generation and energy storage there were:

- 26 projects of 6,580 MW in the application stage
- 47 projects of 7,662 MW in the investigation stage, and
- 13 projects of 1,939 MW in delivery.

This represents one-and-a-half times the total capacity of electricity generation currently installed in New Zealand.

All of this new generation is renewable, with solar and wind generation featuring heavily alongside the emergence of BESS.

But that is only one side of the story. As process heat and transport electrifies, we are also seeing an increase in requests for new and upgraded grid-scale load connections. We're currently delivering 15 projects for our network customers, with 45 in the investigation stage and at least 15 more in the pipeline.

Each of these projects draws on the same resources. Timeframes vary depending on the complexity of the project but typically range from two to six years.

Rising to the challenge with more people, better process

This year, we have sped up the connection queue by 75% and we are committed to moving projects through the process faster, targeting an increase in end-to-end throughput of 50% with just 20% more resource. In 2022 we implemented our Connections Management Framework and in 2024, applied incremental updates. We continue to enhance our monitoring and reporting to provide greater transparency across all projects.

We are now leaning into new approaches that include batching work based on location or interdependencies with other projects, and right-sizing our investigations to meet customer needs and risk appetite. This has enabled us to defer some studies and eliminate others.

At the end of 2024, we introduced dedicated teams for customer connections to improve productivity, recruiting more inhouse project managers, engineers and other technical specialists, and more outsourced engineering consultant resources. As well as helping to speed up movement in the queue, this is enabling more consistent ways of working, and the retention of knowledge and customer relationships from project to project.

To reduce engineering resource requirements, we are standardising greenfield connection designs. Standardisation helps mitigate procurement constraints as we order larger volumes of fewer items, increasing our ability to hold a ready supply of spare equipment, and enhancing the ability to switch equipment between projects.

We are also seeking ways to put the power back in our customers' hands. The conventional approach has seen Transpower lead all stages of the project. Now, in response to customer requests and having observed international practice, we are trialling an approach where customers take the lead for all or part of the connection process.

We recognise the need to be more ambitious and are considering further options for affecting change including the potential to use a prioritisation process focused on security of supply and benefits for New Zealand.

The final step in the process – commissioning

The last stage of the connection pipeline is commissioning, in which new generation and utility-scale BESS are safely integrated into the power system.

Of the 300 MW of new generation connected to the grid in the last year, 130 MW was solar, close to 50 MW of geothermal, and 100 MW was Meridian Energy's Ruakākā BESS. The year before, we commissioned 475 MW, driven by a major geothermal project and a large wind farm.

Next year will see the amount of generation in our system jump another 930 MW as the build phase of Aotearoa's energy transition really picks up pace. That's 1,705 MW of new generation added to our system in just three years, increasing Aotearoa's total installed generation capacity by 17%.

This rapid growth has prompted us in our role as system operator to carefully review the end-to-end customer journey and seize opportunities for improvement. Pain points were identified and solutions scoped and trialled, before a revamped framework was rolled out to help build understanding and provide greater support to our customers.

This was facilitated by the internal uptake of a common workflow management tool and the creation of a new role - Generation Commissioning Programme Manager - to oversee the transformation's progress and maintain momentum.

We've updated information on our website to better reflect the experience of asset owners looking to learn more about how to get their assets connected optimally and compliant with their Code obligations.

Important documents have been revised, and we've made technical updates to support the connection of more recent generation technologies and to cater to the influx of inverter-based resource generation joining the power system.

By tracking both internal and external feedback, we are continually adapting our approach for the benefit of our customers.

First directly connected solar

In November, we connected Lodestone Energy's Te Herenga o Te Rā solar farm to our Waiotahe substation, the first solar generation to connect directly to the grid. Our redevelopment project at Waiotahe will connect a second grid-connected solar farm and enable Horizon Energy to complete upgrades to its network.

Meridian's new Ruakākā solar farm

Meridian's Ruakākā Energy Park, just south of Whangārei went live in May with their grid-scale BESS providing 200 MWh of storage capacity and the first to connect to the grid. Stage two is to build a 130 MW, 250,000 panel solar farm, producing up to 230 GWh each year.

Hautapu GXP commissioned

In June we commissioned our latest grid exit point (GXP) in Hautapu, near Cambridge. This area is forecast to grow significantly in the next 25 years with increasing demand for electricity from around 13,200 new homes as well as new businesses.

An all-of-system approach to security of supply

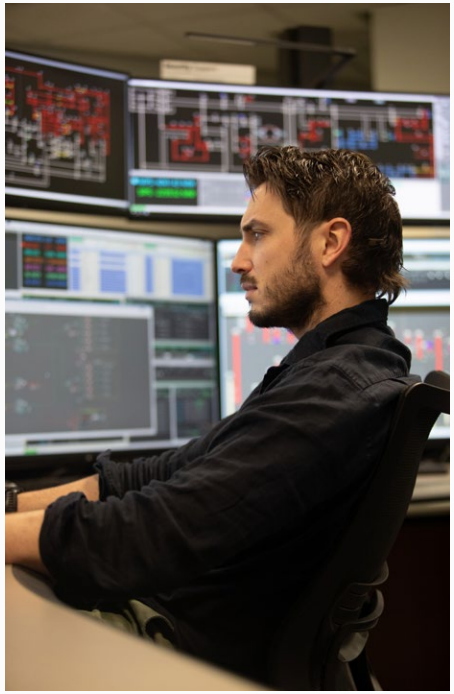
Addressing our material issues

- Customers and consumers
- Good governance
- Advocacy

Addressing our capital issues

- Manufactured capital
- Social capital
- Intellectual capital

Industry-wide challenges need industry-wide solutions and clear leadership. In our role as system operator, Transpower is providing that leadership to ensure the industry is well placed to manage the issue of security of supply in our world-leading renewable system.



The risk of an energy shortfall in the years ahead has been top of mind across industry for a while now and is increasingly entering the minds of consumers, particularly when they are asked to conserve electricity, or when prices rise.

This became more pressing last winter with record low hydro lake levels driving up wholesale prices in an environment where gas availability was declining faster than expected. Conditions were so dry for so long that we began consulting with industry and others on whether to bring forward access to contingent hydro storage that can only be used to mitigate the very real risk of power cuts.

While work to build and connect new generation is gaining momentum, our analysis shows that both short-term peak demand and longer-term energy supply will continue as security of supply risks out to 2030.

Adding to the challenge is the increasing importance of wind and solar generation to our system. When the wind is not blowing and the sun is not shining, these don't make electricity. This can put the whole system under stress if it coincides with high electricity use.

In our role as the system operator, we have been leading the conversation around security of supply with industry, Government and into the media to promote greater awareness of the challenges faced by a highly renewable national power system.

As a result, the industry is increasingly working together to solve this challenge, and the world is watching. New Zealand is demonstrating how to address these questions due to our unique situation; extraordinarily high levels of renewable electricity and a rapid decline in natural gas availability for back-up generation.

Unfortunately, there is no single solution and no easy answers.

Increasing engagement to prompt action from others

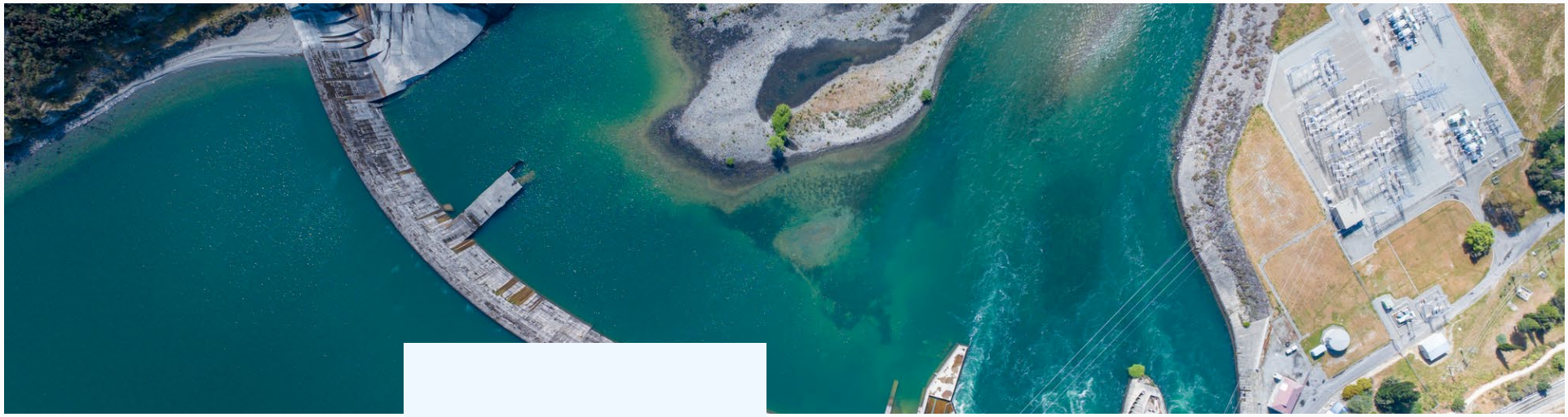
In recent years, we have taken extra steps to ensure the electricity industry has greater access to more information so they too can act.

We have improved the way we present data to enable more effective risk management decisions with our website becoming a one-stop-shop for all things 'security of supply'. And we have become more proactive in our communication as an independent voice, to make sure we remain ahead of the risk.

Seeking change where change is needed

We have stepped up our advocacy with the Authority, advocating for changes to the Electricity Industry Participation Code, to enable better responses from ourselves and industry.

This year, we have commenced a review of the System Operator Security of



Supply Forecasting and Information Policy (SOSFIP), the framework that prescribes how we prepare and publish information for participants.

We took the first step in March, consulting with industry and clarifying one specific process related to how we trigger access to contingent hydro storage. As a result, we have changed how we communicate and have provided greater clarity to participants around how access to contingent hydro storage could be triggered.

We have further consultation on the SOSFIP planned for September, to ask the question of whether it is fit for purpose. We look forward to consulting with our stakeholders on whether permanent changes need to be made to support a secure and affordable supply of electricity.

Participants played a vital role in building industry-wide capability and advancing our readiness on behalf of New Zealanders.

Electricity Authority on all-of-industry exercise organised and run with Transpower

Practice

We continue to work across industry and with the Authority to build capability and ensure that, together, we're well prepared for whatever challenges the power system throws at us.

Everyone came together at the end of April for our annual winter readiness workshop, a chance to discuss shared challenges and our approach to managing them.

We then ran a test of our communication system for how lines companies advise us of available controllable load like hot water systems, when we head into periods of tight supply. The test revealed some areas where improvement was needed but easily achievable.

And we hosted our fourth all-of-industry exercise, bringing together teams from most of Aotearoa's lines companies and retailers, to learn about correct industry processes for when we're faced with an extended supply shortage.

Around 250 people from more than 50 organisations came together online to test shortage of energy supply scenarios, should they arise in emergency circumstances. This included communication to industry and consumers in how shortages would be communicated ahead of time and in worst-case scenarios. While the conditions for rolling outages are highly unlikely, we always prepare for the worst-case scenarios.

Our work will be ongoing with continuous learning and improvement at the heart of what we are trying to achieve. With attention now turning to winter 2026 and the years ahead as industry builds new generation and supply solutions, we will do everything we can to support the industry through this challenge.

Capital Kiwi partnership
a chance to learn and give back

Addressing our material issues

- Customers and consumers
- Environmental stewardship
- Community and Landowner relationships

Addressing our capital issues

- Social capital
- Intellectual capital
- Human capital
- Natural capital

In 2024, Transpower signed a three-year partnership with Capital Kiwi Project (CKP), evolving a long-standing relationship into one of mutual benefit based on shared values and commitments.

Transpower's relationship with CKP began in 2018 with a simple request: could the not-for-profit organisation access our roading network to deploy predator traps in the hills above Wellington?

Our assets are dotted across the project landscape and our roading network is a core enabler of the CKP team, used for accessing and deploying its network of traps. Transpower had previously supported Polhill Protectors (Ngā Kaimanaaki o te Waimapihi) in a 2018 funding round. This initiative was a precursor to inspiring CKP with the confidence to investigate bringing kiwi back to Wellington.

Today, the connection between our two agencies is a mutually beneficial partnership that is reflective of shared values and commitments, and leverages mātauranga

Sara Tansy for the Capital Kiwi Project

66

The Capital Kiwi Project is achieving extraordinary results. But we are just at the beginning of what must be an enduring, multi-generational project. The project is entirely dependent on partnership: with our communities, iwi and landowners. We share a strong set of common values with Transpower, including acknowledgement and respect for mana whenua; enabling guardianship of our unique biodiversity; and recognition of the importance of science to underpin our future. Building genuine relationships across the landscape in which we operate is the base of the return of our national symbol to the backyard of our capital city.

Paul Stanley Ward, Founder

Māori, science, community and the power of pride, to achieve environmental sustainability.

Our roles in the community are different, but the outcomes we are seeking are similar: ecological stewardship and the enhancement of indigenous biodiversity; raising the awareness and value of science and technology; building staff knowledge and capability; and working alongside communities to achieve change together.

Science and sustainability

The aim of the partnership with CKP, signed in 2024, is to demonstrate our commitment to sustainability alongside our core asset management work. Transpower staff will learn more about best practice rodent control, useful skills when managing 175 substations that tend to attract shelter-seeking vermin.

Future opportunities will come from taking what we have learnt through this project and applying it to other conservation initiatives we are involved with, to scale-up local efforts for national impact.

Underpinning the work of both teams is science and technology. Anything that can boost the profile and relatability of these topics across our community is a win for New Zealand's future.

Sara Tansy for the Capital Kiwi Project

Community engagement

Transpower staff each receive an annual volunteer day and now have the opportunity to use this time in support of CKP.

It's early days but some of our employee's canine friends have completed kiwi aversion training. There will be opportunity for the energetic to hike the hills, clearing scrub and removing dead predators from traps. This 'boots on the ground' approach will bring Transpower closer to mana whenua, and the people who host our assets.

In time when we need to upgrade our infrastructure, we know we will be able to work together, to plan a way forward and to share the stories of how our infrastructure and people, aided in the efforts to restore our national icon.

Pride

For staff, 'stories of pride' are a feature of our culture, where efforts to overcome challenges and perform under pressure, are shared and celebrated.

This partnership delivers a different story of pride: greater connection to mana whenua and a native taonga. It presents the opportunity to give back. And it provides the chance to build a personal relationship with the people who are leading change.

The project has also given Transpower another way to connect with consumers, arguably a connection that is more meaningful by being part of a community that is actively giving back.

Material issues in this section

A summary of the material impacts outlined in this section and, where relevant, how we are addressing these across the business.

For more detail on material impacts, visit the website **What matters most? | Transpower**.

Material impact	Description	Actions and commitments
Power outages caused by insufficient electricity supply	Electricity supply disruptions to customers and consumers due to insufficient supply to meet demand	• Signatory to the Energy Transition Framework • Industry exercises planning for emergency situations • Managing the electricity system through improved information resources • Work in Northland to improve resilience
Enable new grid connections to increase electricity supply or to meet new load	Facilitating and enabling new generation connections to meet anticipated demand or load connections to meet new demand, and ensure a secure supply of electricity	• Continued work to improve connection process services for customers • Regional development programmes aimed at maximising regional investment • Special protections scheme at Fonterra Edendale
Electricity affordability	Cost impacts to customers and consumers of maintaining and developing the transmission network	• Signatory to the Energy Transition Framework • Regional development programmes aimed at maximising regional investment • Exploring non-transmission alternatives • Efficient connection process for new generation and load
Physical presence of transmission assets	Visual and physical disruption caused to landowner rights and mana whenua cultural values due to the presence of transmission lines and associated structures	• Community investment programme • Stakeholder engagement programme • Iwi partnerships • Working with landowners to minimise impact on their land when completing our work
Innovation and technology for the electricity system	Supporting research and innovation and adopting new technologies to improve and future-proof the operational performance of the national grid	• Biennial Engineering and Technology Excellence Awards • Special protections scheme at Fonterra Edendale
Harm to the natural and physical environment	Physical harm and pollution to air, land and water arising from operating, maintaining and developing the national grid	• Community investment programme • Capital Kiwi Project partnership • Sustainability Strategy and programme

Material impact	Description	Actions and commitments
Challenge of attracting and retaining talent	Sustainable development of New Zealand's energy system is undermined by a lack of skills, knowledge and experience at Transpower	• Sponsorship of Wonder Project • Graduate and intern programmes • Champions for Change gender balance initiatives
Cyber attack risks	Potential social and economic effects from cyber attacks on the electricity market and the integrity of the national grid	• Cyber security initiatives, including engagement with security entities and exercises dealing with cyber threats

CHOOSING A SUSTAINABLE FUTURE

Transpower has a role to play in supporting the vision defined in the 2030 Agenda for Sustainable Development, to take bold and transformative steps to shift the world onto a sustainable and resilient path.

We are working hard to ensure that our business does not hinder or degrade our environment but instead adds value at every turn; to people, to place and to the society in which we operate.

A sustainable future needs a sustainable and resilient business, one that holds onto its key strengths while embracing new ways and setting new standards. A business that can grow and flex to suit the needs of consumers, a business that is inclusive and diverse, reflective of the communities it serves.

DARREN

NATIONAL DELIVERY MANAGER GRID WORKS

20 YEARS AT TRANSPOWER

I manage one of the project teams that ensure our 23,500 towers are in the best condition possible, keeping the lights on and ensuring power is there when you need it. I'm proud of the mahi we do, the people we work alongside, and the role we play for Aotearoa New Zealand.

Overview

Climate adaptation and resilience key to our future

In September 2024 we launched our **Climate Adaptation Plan**, providing a high-level overview of how we are integrating climate adaptation into our asset management and decision making. Alongside our **2025 Climate Statement**, the plan lists climate impacts on the national grid, our adaptation responses, our actions for the next five years and a description of how we will implement, monitor, and report on our progress.

It builds on work already underway to deliver tangible improvements to climate resilience. We have secured resilience funding through our RCP4 proposal and have established a new Resilience and Adaptation Team to ensure we focus on these areas.

We continue to collaborate with District Councils, the Climate Change Commission, the Ministry of Business, Innovation and Employment, and the Ministry for the Environment on resilience and adaptation matters.

Our RCP4 decision approved resilience investments over the next five years totaling $95 million, addressing key hazards such as flooding, extreme wind, and land instability. One current example of our approach is in our consultation on delivering another level of resilience at Redclyffe substation in Hawke's Bay, badly damaged during Cyclone Gabrielle. Our proposed plans will mean that the substation will be flood resilient to a 1-in-450-year flooding event and will also be more earthquake resilient by meeting modern design and engineering standards.

Stuff Limited

Shifting gears for a smarter future

We expect to have to deliver up to 80% more work over RCP4 than RCP3, meaning we need to implement business improvements everywhere we can.

Initiated last year, the end-to-end acceleration programme is designed to optimise the entire grid delivery process from initial investigations to completion. There are 20 separate initiatives supporting work across the entire business: planning; design and delivery; support function improvement; and governance and wider systems.

We are also streamlining our business processes and information introducing new fit-for-purpose tools. These will help improve how we undertake our work, spending more time generating value and less time navigating multiple processes and systems.

Digitisation and standardisation are key. The Digital Switch Management project is a multi-year programme designed to digitise the switching and transfer of operational control when we are working on planned and unplanned outages.

This project will enable our staff to focus on tasks that require a high level of judgement and situational awareness, and less on manual processes. Ultimately, benefit will come from our ability to respond to the increasing volume of switching work we know is coming with increased safety and accuracy.

After months of preparation, later this year, the project will digitise real-time switching in the national grid Operating Centre control rooms, arguably the most significant change to be

delivered since the early 1980s. Then the focus shifts to digitising the way switchers in the field interact with those in the control rooms.

Digitisation is expected to simplify processes through standardisation; improve users' ability to view, plan, manage and allocate work across desks and control rooms; reduce errors; and enable continuous improvement through enhanced reporting.

Preparing the way for less disruption

Over this past year we have been dismantling old towers and replacing them with modern steel poles in some of Wellington's residential suburbs. The project began in winter 2024 and completion is expected this coming summer.

While many of our towers were originally built far from residential areas, over the years houses have been built under our lines and around the towers. With towers situated in people's backyards, maintenance is very difficult. The pole replacements are more compact, require less maintenance and once in place will make for less disruption to landowners and those living nearby.

The old towers are sent to our metal recyclers.

Helping others to understand the system

A sustainable business is one that enjoys broader support, which is why we are keen to help people understand a little more about the electricity system. This follows our research in 2023 that showed a general lack of awareness and understanding of the electricity sector and Transpower itself.

We've created a series of brief animations that focus on providing straightforward information about how electricity works and the role that Transpower plays.

Our goal is to help our communities gain a greater understanding of what is coming and what it means for them. Only then can we hope to gain acceptance for our significant future work programme to enable growth across the country.

We have also produced educational resources for teachers that outline how the animation videos can be used for science and technology-based explorations with students.

Advocating for change

We believe that changes across a broad range of legislation, regulation and industry codes are required to ensure the energy system can support sustainable economic growth. These changes span not just the issues of timely investment and resource management but also market systems, hazard management and land access rights.

Transpower continues to advocate for change that will result in better outcomes for the people of New Zealand. This will include exploring regimes that provide an improved approach to acquiring land access and ensuring consistency across landowners. Smoother acquisition processes are vital to facilitating electrification should new transmission assets be needed.

In the past year, we have submitted on proposed amendments to the Electricity Industry Participation Code, the National

Infrastructure Plan, the proposed Local Government (Water Services) Bill, the Offshore Renewable Energy Bill, recent updates to the Resource Management Amendment Bill and the Public Works (Critical Infrastructure) Amendment Bill.

You can view all of our submissions on our website here: **Regulatory submissions**.

Deliberate focus and ambitious targets keep sustainability top of mind

Addressing our material issues

- Community and Landowner relationships
- Climate change mitigation and adaptation
- Environmental stewardship

Addressing our capital issues

- Social capital
- Intellectual capital
- Natural capital

We created our first sustainability strategy in FY2020, capturing work that was already underway and defining new ambitious targets to establish a clear and cohesive ongoing approach to addressing the sustainability of our business.

This work plays a pivotal role in supporting Transpower's long-term relationships with stakeholders and in maintaining our social licence to operate. It is also increasingly something that potential employees look for when deciding who to work with.

Our strategy has evolved over the years as we work to ensure sustainable practices become integrated as business as usual.

We continue to make solid progress, as shown by our sustainability dashboard and in our GHG emissions inventory on the following pages. You can read more sustainability highlights in our case studies on the Stoke substation erosion work, **pages 72-73**, and our partnership with Capital Kiwi on **pages 58-59**.

Success comes when working with others

A key focus this year has been working with our major grid service providers, through our newly established our Sustainability Alignment Forum, to share knowledge and learning, to support their maturity in this field and ensure they too are adopting a targeted approach to sustainability.

This has resulted in greater understanding of sustainability practices and performance, and the subsequent development of more challenging sustainability management plans and targets.

Everyone is committed to this focus on and the Forum has been well received as a vehicle for change.

Circular economy

Last year we implemented our waste strategy with the goal of operating as close to a zero-waste organisation as possible, and a 2030 target of reducing the proportion of waste sent to disposal by 30% from FY2022/23 levels. The target also accounts for the increase in waste expected as the grid expands. With concerted efforts across major projects, and collaboration with our service providers, we are closing in on that target.

A core concept is the repurposing of waste. We have increased our breadth and depth of recycling and have implemented a new business intelligence process for the reporting of waste in the field. This is used by our service providers to track and drive their ongoing performance.

This year we have embedded the recycling of our glass insulators into Pink® Batts® for glass wool insulation and bottle manufacture, resulting in around 125 tonnes of insulator glass being diverted from landfills annually. We are also finalising a metal recycling panel contract to drive a more effective and efficient metal recycling programme across the country.

In addition to last year's project with eNZoil for recycling and regenerating our transformer oil, we have progressed several opportunities aimed at containing oil. This year we supported service provider Ventia to develop a unit on a trailer for separating oil from water, to reduce the disposal of oil during maintenance and the risk of overflow from tanks.

Transpower Integrated Report 2025

Minimising environmental impacts

Some of Transpower's historic activities have led to land contamination, so, in 2024 we published our Contaminated Land Strategy aimed at the avoidance, management or remediation of contamination where possible and practical.

Over this past year we have developed a risk-ranking tool to identify those substations where there is potential risk to human health or the environment and have published a best practice guide for managing contaminated soil.

We have also reviewed all non-operational land and prioritised where there is the greatest opportunity to preserve existing biodiversity or undergo restoration. We now have 10 high-priority and 10 medium-priority sites.

Keeping our own house in order

We continue to seek emissions reductions. Over 75% of our forklifts are now electric and we expect to add further electric cars and a PHEV ute to our fleet in the year ahead. We have continued to roll out EV chargers at key operational sites and offices.

With no action deemed too insignificant, we have a range of initiatives in place across our offices aimed at minimising waste, including recycling and donating office furniture, food composting, battery recycling and donating old IT devices to the Recycle a Device programme which sees devices refurbished then gifted to schools and communities.

The year ahead

As we increase our maintenance of the ageing grid and enable electrification with new builds, our emissions will also see an increase, providing an even stronger incentive for us to identify longer-term initiatives that will enable us to meet our aspirations for 2030.

A major focus is on identifying new and different ways of working that reduce emissions and deliver sustainable outcomes. We will continue to work closely with our service providers and suppliers to ensure alignment with our sustainability aspirations in their work and service delivery for Transpower.

Sustainability Strategy 2024/25

Key: Significant progress Achieved

Challenge areas	Strategic outcome	KPI	Supporting initiative	Indicator
Climate change				
	**Our carbon footprint is reduced 60% by 2030, on track to achieve a net zero grid by 2050**	Reduce Scope 1 & 2 GHG emissions, focusing on carbon intensity of operations	Implementation of SF_6 gas management strategy and progress sector approach to SF_6 management	✓
			Develop transmission losses work programme to focus our efforts in the areas where Transpower has control	◕
			Refine performance tracking measures for Scope 1 and 2 emissions reduction initiatives against target	✓
			Continue to engage with the Science-Based Targets Initiative (SBTi) and international transmission and distribution businesses to facilitate sector-based approaches to emissions reduction targets	◕
			Facilitate electrification of Transpower operations including optimised drone usage, EV charging infrastructure, vehicle and forklift fleet conversion, solar PV utilisation and back-up generators	✓
		Reduce Scope 3 GHG emissions, focusing on major suppliers	Deliver Year 3 Master Grid Services Contract and Year 1 of Facilities Maintenance Contract sustainability and carbon reduction work programmes, in readiness for targeted carbon reduction initiatives	✓
			Continue to implement sustainable procurement terms for all major supply contracts, initially focusing on GHG reporting and waste reduction	✓
			Capture actual Scope 3 emissions data for 75% of Transpower supplier expenditure, focusing on major suppliers	✓
			Identify Transpower's approach regarding a Scope 3 emissions target, including options that cover planned grid expansion activities out to 2030	✓
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 to pilot projects at Hautapu GXP and Central North Island Line Upgrade projects	✓
			Develop a prioritised programme to establish net biodiversity gain on Transpower-owned non-operational land to protect and enhance environmental values	✓
		Improve water quality and reduce contamination risks	Continue implementing oil containment strategy site upgrade programme, focusing on priority sites	✓
			Implement the Contaminated Land Strategy and associated action plan	✓
		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	✓
Sustainable business				
	**Decision frameworks consider social and environmental impacts**	Include carbon and sustainability considerations in core decision-making frameworks	Embed Sustainability in Design standard, focusing on incentivising delivery through Engineering Consultancy partnerships – including Digital Substation, switchrooms and Grid Injection Point and/or Grid Exit Point projects	◕
			Review Transpower's seismic standards framework to improve consideration of more sustainable outcomes through a risk-based approach	◕
		Awareness of future ESG obligations for Transpower	Assess the implications of new sustainability and climate-risk reporting and compliance obligations including other developing international frameworks – e.g. TNFD, nature-based solutions, emissions pricing and offsetting	✓

Our carbon footprint

We have been publicly reporting our GHG emissions since 2005, setting reduction targets for ourselves and working with suppliers to reduce their emissions. More detail can be found in our **FY2025 GHG Inventory Report** and **Climate Statement FY2025** published in accordance with the Aotearoa New Zealand Climate Standards.

Enabling the transition to a renewable electricity system is the biggest contribution we can make to reduce emissions. As we enable electrification by building new connection points and upgrading the national grid, our Scope 3 emissions are set to increase significantly due to the increase in embodied carbon and associated delivery works resulting from 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 will ultimately be offset by the net benefit of electrification to the country.

In FY2025, we revised our short-term Scope 1 and 2 emissions targets and set new targets for our long-term Scope 1 and 2, our Scope 3 emissions and overall emissions. We also reset our baseline year, from FY2006 to FY2021 for all targets, and updated our refrigerant emissions methodology, and emission factor sources for transmission losses and Scope 3 spend-based data. Though the base year has changed, Transpower's short-term controllable Scope 1 and 2 emissions target of 3,484 tonnes of carbon dioxide equivalent (tCO_2e), by 30 June 2030 remains the same.

For consistency, all emissions data stated in this report use the restated GHG emission figures for FY2021 to FY2024. For comparisons across the different data sets and more details of these changes, please see the **FY2025 GHG Inventory Report**.

Overall, we are on track to achieve our Scope 1 and 2 emissions targets, with FY2025 seeing a 32% decrease (excluding transmission loss emissions) compared to our FY2021 baseline. This equates to a 72% achievement of our stated 44% GHG emission reduction target for FY2030. We are also on track to achieve our overall emissions target. Our total GHG emissions are estimated at 224,356 tCO_2e, an increase of 31,591 tCO_2e from FY2024 (restated figures) primarily because of an increase in transmission loss emissions.

Whilst up on last year, our FY2025 total GHG emissions see a 7% decrease compared to our FY2021 baseline – which equates to a 45% achievement of our stated 15% overall GHG emissions reduction target for FY2030. Despite the expected increase in our Scope 3 emissions, Transpower's overall net GHG emissions are expected to continue to fall,

GHG emissions targets and progress

Target type	Target	FY2021 (Restated) Baseline (tCO_2e)	Goal (tCO_2e)	On Track?
Scope 1 and 2 short-term	Achieve a 44% reduction of Scope 1 and 2 GHG emissions (excluding transmission loss emissions) by FY2030	6,177	3,484	Yes
Scope 1 and 2 long-term	Achieve net-zero Scope 1 and 2 GHG emissions (including transmission loss emissions) by FY2040, with an absolute target of a 90% reduction	202,721	20,272	Yes
Scope 3 short-term	Achieve less than a 64% increase of Scope 3 emissions by FY2030; this is also a 35% reduction against Transpower's forecast FY2030 Scope 3 emissions of 90,220 tCO_2e	37,837	58,643	No
Scope 3 long-term	Achieve net-zero Scope 3 emissions by FY2050, with an absolute target of a 90% reduction of Scope 3 emissions by FY2050	37,837	3,753	No
Overall short-term	Achieve a 15% decrease of overall Scope 1, 2, and 3 GHG emissions by FY2030	240,558	204,474	Yes

due to declining emissions from transmission losses as thermal generation is utilised less or retired.

Scope 1

Scope 1 emissions are those that arise directly from our operations including our use of fugitive gases and fuel in vehicles. Transpower is the country's largest holder of sulphur hexafluoride (SF_6), used as an insulating gas in our essential high-voltage switchgear. In FY2025, our emissions from SF_6 and other fugitive gases increased 9% from FY2024.

Managing emissions from SF_6 gases is an integral part of reducing Transpower's carbon footprint. Our **Sustainability Strategy** and SF_6 Management Strategy commits us to more accurate SF_6 handling, a proactive maintenance programme, and a phased equipment upgrade programme to replace lower voltage SF_6 switchgear to drive long-term SF_6 emissions reductions.

We have continued our long-running work programme to switch to electric vehicles where suitable options exist. Since FY2024 our passenger fleet has been 100% electric battery or plug-in hybrid vehicles, up from only 15% in FY2019.

Scope 2

Scope 2 emissions relate to electricity usage in our buildings and includes non-controllable transmission losses associated with operating the national grid; the largest contributor to this area. In FY2025, we have seen a 13% increase in transmission loss GHG emissions compared to FY2024.

These emissions fluctuate year to year, largely driven by factors outside of Transpower's control; notably climatic patterns, which in turn influence electricity generation in New Zealand. The proportion of overall emissions from thermal generation allocated to transmission losses is also inversely linked to the proportion of renewable generation. As the generation mix becomes more renewable, transmission losses may increase but emissions linked to transmission losses will fall.

As part of our **Sustainability Strategy**, we are seeking to better understand Transpower's role in transmission losses, focusing effort on areas within our control.

Scope 3

Scope 3 emissions include those arising from the work our service providers carry out and the other services, goods and materials purchased to enable the delivery of such work. Our Scope 3 emissions increased by 25% from our FY2024 restated figures. We are working closely with our service providers and suppliers to achieve a relative reduction in our Scope 3 emissions and to develop the national grid sustainably.

Stoke substation:
small project, significant impacts

Addressing our material issues

- Community and Landowner relationships
- Climate change mitigation and adaptation
- Environmental stewardship
- Customers and consumers

Addressing our capital issues

- Social capital
- Intellectual capital
- Manufactured capital
- Human capital

Although one of Transpower's smaller projects, this one had it all: climate risk, safety challenges, multiple interested parties, an environmental imperative and even native fish.

Transpower's Stoke substation in the Nelson-Tasman region is completely unique. A stream runs through the middle of it that is a taonga for eight iwi and home to native, endangered fish.

Unfortunately, the riverbank was also eroding

While a plan to control erosion was in place, severe flooding in 2022 caused significant damage and urgent action was needed to protect our assets and the environment.

Extensive stakeholder involvement

In total, nine companies and many more community stakeholders were involved, including substation neighbours, the Nelson City Council, Department of Conservation, ecologists, and iwi representatives from Ārewa and Ngāti Tama ki Te Waipounamu Trust, representing Ngāti Tama ki Te Tauihu.

The work needed a cultural values assessment and monitoring, resource consents, an approved method for vegetation removal, a fish rescue and relocation plan, and riparian planting. The combined knowledge needed to deliver each aspect, and the insights gathered from everyone working together, was of significant benefit to all parties.

We also took the opportunity to help our stakeholders achieve improvements of their own while we completed our work. To support the Council, we placed CCTV on a stormwater pipe to enable better monitoring, and we adjusted the positioning of a second stormwater pipe to make it more effective.

Local teams deliver extra benefits

Work was completed by Downer's local civil team which led to significant savings in time and travel costs. However, using people unfamiliar with working in our substations meant there was the need for extensive support, supervision and training.

As a result, we now have a large crew in the area who are competent and more confident working in a Transpower environment, making the process for delivering future work much easier and reducing the need for crew to travel.

The engagement of local ecologists and environmental experts helped ensure a safe and fit-for-purpose methodology for maintaining the local environment and helped build a sense of trust between Transpower and other local stakeholders.

Unpredictable weather

Weather watching and reporting was a daily activity, given the potential for more rain to delay the project and add cost. Careful advanced planning for different weather events was needed. With a traffic light system established, the team were well placed to manage the impacts of extreme rainfall events.

There were four 'red' events over the course of the project that cause work to halt but the early effort made to prepare for these meant decisions happened quickly, and impact was minimal.

In late June, a major flood hit the region again, but this time there were no impacts on our re-established stream environment, and no impacts on our assets or on power supply.

Continuous learning to manage safety

Working in and around a substation environment is always complex from a safety perspective.

The team developed reporting and communication practices which supported our processes for managing safety. The team completing the civil work developed questions, spoke up when they saw a hazard and were confident to halt work when they felt uncertain.

It didn't mean there weren't any incidents, but that safety was maintained thanks to the team following robust processes. When a breach of the minimum approach distances occurred, site works were halted until an investigation was complete, and extra systems and training were delivered before work recommenced.

On time and under budget

The project came in under budget and was completed just one week later than planned. The Stoke substation now meets Transpower's 1:450-year flood requirements. Its critical cable assets are protected and further erosion of the streambank, and switchyard flooding, are prevented.

The fish and eels are safe and back in their homes.

This project received an Honourable Mention in the global *Project of the Year Award from the Project Management Institute, which has half a million members around the world*.

Building a workforce to meet the need

Addressing our material issues

- Future workforce

Addressing our capital issues

- Intellectual capital
- Human capital

As our economy electrifies, our workforce will need to grow to deliver to New Zealand's needs. There is no single solution and our interventions span primary to tertiary education, vocational training, workforce attraction and recognition.

One of the biggest challenges we face in electrifying New Zealand's economy is ensuring we have the skilled labour that's needed to deliver the job.

Both Transpower, and the service providers who undertake our field work, will need to grow substantially to maintain our assets and support further investment.

We are going to need a wide range of people from different backgrounds and disciplines with a heavy reliance on science, technology, engineering and maths (STEM) qualified people.

Like other sectors, we are facing unprecedented labour shortages which will only worsen as our ageing workforce begins to retire. International competition is also increasing for the same skilled labour that we need.

In response, we are focused on building the profile of STEM subjects as pathways to a rewarding career, promoting the variety of roles that we have, and ensuring we remain an attractive place to work by supporting development and progression and a culture of inclusion.

We are working closely with others across the electricity sector to ensure that together we can attract and develop the workforce we need.

It starts in school

We are now five years into our sponsorship of Engineering New Zealand's Wonder Project, a primary and intermediate school-age programme designed to encourage greater participation in STEM subjects and knowledge of the generation and distribution of electricity.

This year 5,452 students across 113 schools got involved in our Wonder Project – Power Challenge.

Not only does the initiative support students and teachers, it also provides an opportunity for our staff to engage with local communities. This year, 61 Transpower people participated as Wonder Project ambassadors, spending time in classrooms and encouraging students to build curiosity and confidence in STEM subjects.

Survey results show the impact that the Power Challenge has made:

- 43% of students were more interested in STEM jobs after participating in the challenge
- 90% of teachers noticed a positive shift in student perceptions of STEM
- 98% of teachers said they would do it again.

Supporting our newcomers, be they interns, graduates or established employees

Our journey to grow our workforce continues at the tertiary level. At the end of last year, 27 summer interns across engineering, IT and business disciplines joined the organisation, gaining critical hands-on experience of what it's like to be part of our sector and providing us with insights on their experience.

We have expanded our graduate programme and in 2024 took on an additional 16 graduates, bringing the total in the two-year programme to 30 (up from 12 in 2022).

We have increased the number of entry roles in the organisation and have further developed our employee value proposition 'when Transpower is your mahi, Aotearoa is powered by you', now widely integrated across all our channels and used to attract new employees.

Creating an environment where all people feel a sense of belonging is important. We have a wide range of staff-led communities based on culture, interests, professional and more. Our communities play an important role in helping our staff to feel included, and raise awareness and understanding in our wider business.

Revised business leaders programme

We've been working with the University of Auckland Business School to develop our business leaders programme and invest in our leadership capability.

The programme equips participants with the leadership capabilities needed to drive business outcomes: outward-looking leadership, meeting the challenge of change and building effective stakeholder relationships.

It runs biennially with managers attending across five months.

More than a desk job

Our staff are motivated by the meaningful work they do and the wider opportunities that come from being part of the Transpower whānau. Every year, staff are given the opportunity to take a paid Volunteer Day, to spend as they choose.

One option is to join our Takapū Valley restoration project, that aims to restore 20 hectares near Wellington with native plants to improve the biodiversity and ecological condition of the whenua and waterways. Thanks to our staff contributions, and the effort of many partners, we have 15,000 plants already in the ground.

This year we introduced a similar opportunity for our Hamilton and Auckland-based staff with the Ōhinewai substation wetland restoration project.

Building sector and service provider workforce capability

We understand that addressing the needs of the future is a sector-wide concern and that we have a key role to play across the industry. Should one part fail, then we will all fail.

We have begun work to establish how we can better signpost a career in electricity for school leavers. We want more young people to understand that there are many opportunities that don't require tertiary education, which can be seen as a barrier.

We have taken initial steps, hosting school students to better understand what they would like to see and learn about when visiting us. This will be used to inform a programme of hosted visits to engage students in considering the sector for a career.

Our Grid Skills private training establishment provides training for our service provider workforce, to ensure they have the required skills for the work they do on Transpower assets and work sites.

We have redefined many of our Grid Skills practices, processes and approaches to accelerate training development, delivery and quality assurance. We have developed intensive training for transmission line mechanics, to deliver core skills training upfront and early. To date, there are 28 learners underway within the programme.

Grid Skills has also been focused on 'speed to competence' initiatives, recognising that existing qualifications and the previous experience of workers coming into the transmission sector can provide the core skills needed to work on transmission assets.

By recognising these skills, we are providing more career opportunities for workers and a career pathway that keeps them in the industry.

Walking the talk on gender balance

Women have traditionally been under-represented in our workforce, and the sector more broadly, so in partnership with Global Women, Champions for Change, the sector has taken on the challenge of addressing the need for increased gender diversity.

We see this as a forerunner to ethnic diversity and this year for the first time, we are reporting our ethnic pay gap alongside gender. See **page 86**.

The Electricity Sector Diversity Equity and Belonging Working Group commissioned research into gender participation and the gender pay gap in our sector, to provide a deeper understanding of some of the challenges.

Data from 11,000 employees across 25 organisations including generation, retailers, transmission and distribution companies was gathered. The research, and our subsequent Gender Pay Gap report, shows women's participation at 36% and a gender pay gap of 21.9%.

This report now provides us with clear direction. It identifies where inequities exist, why they persist, and provides insights on the interventions that will have an impact.

The Working Group is using these insights and working together on initiatives that will address and improve gender participation, equity and belonging and ways to attract and retain diverse talent in the sector.

There are no quick fixes but we are committed to achieving change for the benefit of all.

Material issues in this section

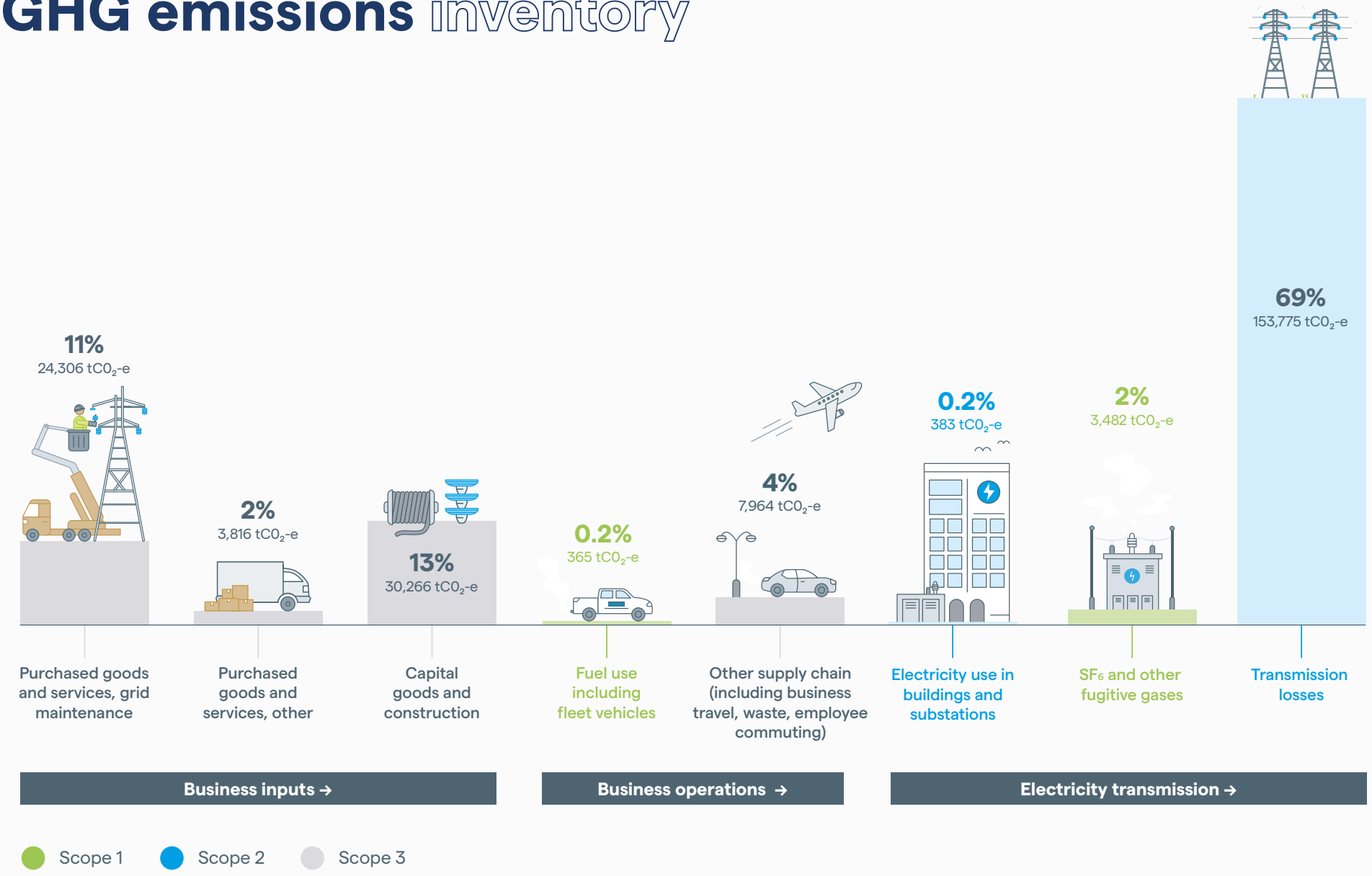
A summary of the material impacts outlined in this section and, where relevant, how we are addressing these across the business.

For more detail on material impacts, visit our website **What matters most? | Transpower**.

Impact	Description	Actions and commitments	
Responsibility for GHG emissions	GHG emissions from operating our assets, including transmission losses and SF_6 gas use across the national grid as well as influencing our supply chain emissions	• Work programme to understand Transpower's role in transmission losses and prioritise our efforts • Implementation of SF_6 gas management strategy • Focus on understanding and influencing our Scope 3 (supply chain) emissions	**Part of the Sustainability Strategy work programme** • Grid services contract requirement for sustainability plans and carbon reporting, linking to Transpower's reduction targets • Roll-out of our low emissions fleet and fast-charging electric vehicle infrastructure across our assets • Sustainability in design standard • Embodied carbon tools developed
Visual impact of our towers and transmission lines	Communities are affected by the physical presence of transmission lines and associated structures	• Consultation with affected communities and landowners and biennial landowner satisfaction survey • Community investment programme	• Iwi partnerships • Working with landowners to minimise impact on their land including tower to pole conversions
Potential safety impacts associated with the installation, operation and maintenance of transmission lines	The presence and functioning of transmission lines may potentially cause harm to people and communities	• Health, Safety and Wellbeing Management System and Public Safety Management System, which ensure 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 • Ongoing promotion of a health and safety reporting culture
Increased adoption of new technologies in the electricity market	Supporting research and innovation and adopting new technologies to improve the operational performance of the national grid	• Continued our drone programme to improve our grid maintenance	• LiDAR initiative for vegetation management
Harm to the natural and physical environment	Minimising adverse effects on the environment associated with the operation and maintenance of the national grid	• Our Sustainability Strategy, which outlines our commitments and initiatives in more detail, including our Biodiversity Strategy	• Resource Management Act approvals regime
Pollution of the environment from Transpower's operation	Operating and maintaining Transpower's assets can inadvertently result in pollution or contamination to air, land and waterways	• Our Sustainability Strategy, which outlines our commitments and initiatives in more detail, including our Waste Management Strategy	• Contaminated land strategy adopted

Impact	Description	Actions and commitments	
Low employee retention rate due to tight labour market and low unemployment	Addressing current and future electricity skill shortage challenges through training, remuneration and personal development opportunities	• Maintaining progress against our gender diversity target (40/40/20) female/male/gender diverse • Actions resulting from employee engagement survey	• Commitment to training and development opportunities available for all staff
Workforce competency	Ensuring the ongoing competency and wellbeing of the electricity sector workforce through training and skills development	• Grid Skills training to build competence in workers completing work on the national grid • Graduate and internship programmes	• Specialist training in technical domain areas • Workforce Development Strategy
Insufficient talent attraction	A lack of structured career development leads to an inability to attract potential employees, affecting organisational culture and success	• Promotion of our employee value proposition • Career pathways programme	• Communities of Transpower, representing diverse groups and interests

GHG emissions inventory

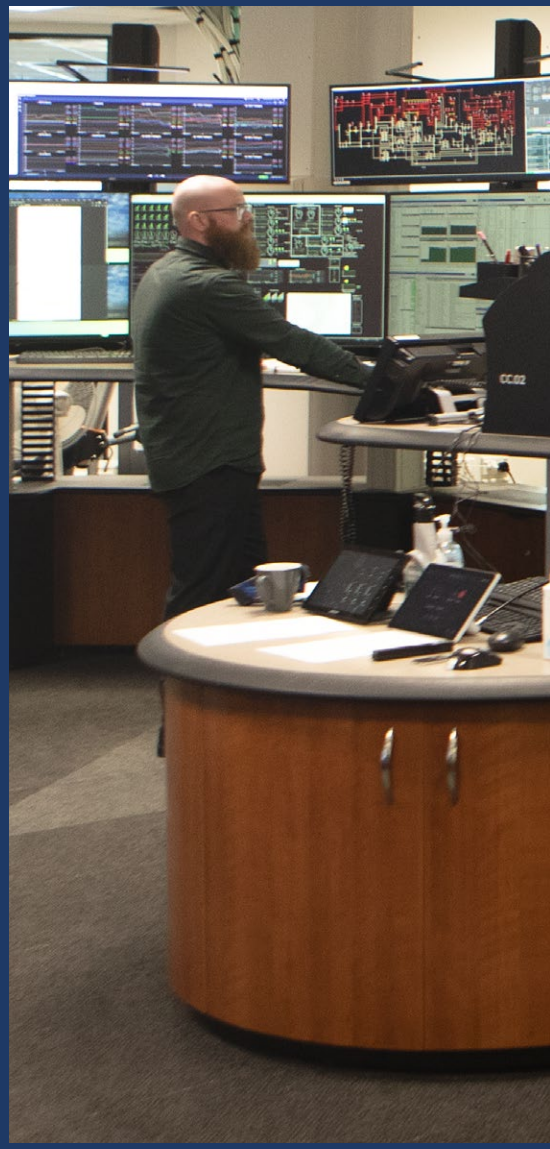



TRANSPOWER
TRANSPOWER

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.



ANNA

ENGINEERING ASSURANCE MANAGER
16 YEARS AT TRANSPOWER

We make decisions based on the information we have in real-time to operate the power system. I feel like I am in the centre of the system with all the data and insights to run a secure power system and achieve the best outcome for New Zealanders.

Helping commission new generation and enabling energy to flow into the national grid and across the motu is incredibly meaningful and rewarding.

Targets and outcomes

Statement of Corporate Intent 2024/25

Performance area	Measure	2024/25	2023/24	2022/23	Target 2024/25
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	5.6	4.4	5.5	≤ 6
	High potential incident frequency rate (HPIFR) rolling 12 months	1.4	1.1	3.2	≤ 3
	Staff engagement	Achieved	Achieved	Achieved	Top 25% percentile score for energy & utilities sectors (12 month rolling average)
Sustainability	Deliver Sustainability Strategy milestones	Achieved	Achieved	Achieved	Deliver the 2024/25 milestones
Service performance	**Grid interruptions:**				
	GP1 Achieve collars for occurrence (unplanned interruptions)[2]	6	6	6	≥ 4 out of 6
	GP2 Achieve collars for average unplanned interruption duration[2,3]	6	5	5	≥ 4 out of 6
	Grid availability:				
	AP1 HVDC energy availability[2]	97.49%	96.99%	97.89%	> 96.75%
	AP2 Key HVAC assets availability[2,4]	97.31%	97.91%	98.69%	> 98.60%
	Achieve system operation targets	Achieved	Achieved	Achieved	> 70%
Asset health measures	Power transformers[2]	4.89%	4.21%	3.18%	≤ 12.03%
	Outdoor circuit breakers[2]	0.30%	0.37%	0.37%	≤ 8.27%

2. Subject to external assurance and may change.
3. This data has been updated for 2023/24 and 2024/25.
4. Target not met primarily due to planned outages for Pakuranga–Whakamaru circuits to enable cable repairs. A bypass was implemented to mitigate the unavailability of these circuits on supply capacity and system security risk.

Performance area	Measure	2024/25	2023/24	2022/23	Target 2024/25
Financial performance	Free funds from operations (FFO) interest coverage (x)	4.4	5.4	5.4	3.9
	FFO/debt (%)	13.0	13.5	13.3	11.3
	Return on equity (%)	5.9	4.7	6.3	5.1
	Return on capital employed (%)	3.5	2.8	3.4	3.5

Environmental

Sustainability

	Unit	Change (up/down)	2024/25	2023/24	2022/23	Comments
Environmental management						
Significant/severe incidents	number		-	-	-	
Moderate incidents	number	↓	1	2	-	
Minor incidents	number	↑	28	18	18	The increased number of incidents is largely due to improved environmental incident reporting practices and processes introduced in FY25.
Carbon emissions						
Scope 1 emissions (emissions arising directly from our operations)	tonnes CO_2e (equivalents)	↑	3,847	3,548	6,529	Figures for FY23 and FY24 have been restated from previous years. See Our Carbon Footprint on **p70** for detail.
Scope 2 emissions (emissions associated with electricity usage, including transmission losses)	tonnes CO_2e (equivalents)	↑	154,157	136,207	88,408	Same as above.
Scope 3 emissions (emissions arising from activities in our supply chain)	tonnes CO_2e (equivalents)	↑	66,351	53,009	35,906	Same as above.
Total carbon emissions	tonnes CO_2e (equivalents)	↑	224,356	192,765	130,843	Same as above. Reflects the actual total gross emissions including Swedish rounding.
Emission to air						
SF_6 and other fugitive gases	kg	↑	144	132	267	
Energy consumption						
Progress towards 2030 GHG emissions reduction target[5]	% of target achieved	↓	72	95	38	
Total gas consumption in non-operational buildings	GJ	↓	732	921	760	FY24 data restated for final audit result.
Total energy consumption in non-operational buildings	kWh	↓	2,288,880	2,312,923	2,318,605	
Total energy consumption in operational buildings	kWh	↑	1,216,041	1,136,008	1,037,407	
Business travel						
Fuel used in operational plant and vehicles	litres	↑	130,025	117,367	111,159	
Flights – distance travelled	km	↑	5,171,236	4,074,937	3,391,001	
Distance travelled company vehicles	km	↑	1,698,022	1,573,485	1,458,570	
Distance travelled in rental vehicles	km	↑	291,369	262,531	317,649	

5. In FY2024 and FY2023 this referred to our FY2024 GHG emissions reduction target of reducing our Scope 1 and 2 emissions (excluding transmission loss emissions) by 60% by 2030 against a baseline of FY2006. From June 2025, our new short-term Scope 1 and 2 emissions target is a 44% reduction of such emissions (excluding transmission loss emissions) by 2030, against a baseline of FY2021. We have restated our 2023/24 and 2022/23 results against the new target.

Social

		Unit	Change (up/down)	2024/25	2023/24	2022/23	Comments
Safety	**Safety**						
	High potential incident frequency rate (HPIFR) (employees and contractors)	per million hours	↑	1.4	1.1	3.2	While higher than 2023/24, the HPIFR remains under target.
	Total recordable injury frequency rate (TRIFR) (employees and contractors)	per million hours	↑	5.6	4.4	5.5	While higher than 2023/24, the TRIFR remains under target.
	Number of fatalities or injuries causing permanent disability (employees and contractors)	number		0	0	0	
People	**Workforce composition**						
	Total Transpower employees	number	↑	1080	969	884	In line with need to grow workforce.
	Median age of employees	years		45	46	46	
	Mean/median length of service	years	↓	7.54	7.91	8.25	
	Average employee earnings	$	↑	150.7k	148.0	142.1k	
	Gender balance						
	Gender identity by role – All	% female/male/ gender diverse		34/65/1	32/68/0	31/68/1	
	Gender identity by role – People leaders	% female/male/ gender diverse		31/69/0	31/69/0	30/70/0	
	Gender identity by role – General management	% female/male/ gender diverse		40/60/0	56/44/0	50/50/0	
	Gender identity by role – Board	% female/male/gender diverse		43/57/0	57/43/0	57/43/0	
	Gender pay gap	%		17.3	15.3	17.0	
	Workforce stability and wellbeing						
	Total staff turnover	%	↓	7.7	9.9	11.3	
	Voluntary turnover	% turnover	↓	7.5	9.2	10.7	
	Average number of sick days per employee	days per employee	↑	6.4	5.8	6.0	

Social

		Unit	Change (up/down)	2024/25	2023/24	2022/23	Comments
People	**Ethnicity (All)**						
	% staff providing ethnicity data	%	^	79	76	72	
	European (incl New Zealanders prior to 2024/25)	%		37	72	74	We have adjusted our ethnicity reporting to align with the Statistics New Zealand definition - including 'New Zealanders' in the 'Other Ethnicity' category. It was previously counted in the 'European' category. No trend is available due to this change in reporting.
	Māori	%	–	6	6	5	
	Middle Eastern/Latin America/African	%		4	4	4	
	Asian	%	^	29	26	24	
	Pacific	%	v	3	4	3	
	Other Ethnicity	%		37	4	4	
	Ethnicity Māori pay gap	%		6.8			New in FY2025.
	Employee engagement						
	Employee engagement survey participation	%	^	94	93	96	
	Employee engagement survey results – % Peakon quartile for Energy & Utilities sector	%	–	top 25%	top 25%	top 25%	
	Employees skill and capability						
	Learning and development expenditure (technical training inclusive)	$	^	3.6m	2.3m	2.0m	The Technical Training and Grid Skills business area FTE were consolidated in 2024/25 FY in conjunction with a contractor conversion. Previous years' adjustment to exclude Grid Skills FTE now removed.
	Investment in pipeline training (graduate programme)	$	^	2.0m	1.9m	1.2m	
	Internal hires to total hires	%	–	24	24	29	As Transpower is increasing FTEs to meet RCP4 goals the % of internal hires will be lower.
	Skill and capability of wider industry						
	Training of industry/service providers	$	v	3.7m	4.7m	4.1m	Training delivered based on demand. Training efficiencies delivered.

		Unit	Change	2024/25	2023/24	2022/23	Comments
Relationships	**Business ethics**						
	Speak up contacts made (number contacts to fair call service)	number		0	0	0	
	Notifiable privacy breaches	number		0	0	0	
Customers	**Community**						
	Number of voluntary days used	number	^	357	338	284	
	Investments in communities	$	^	809k	720k	620k	
	Stakeholder satisfaction						
	Percentage of customers who agree or strongly agree with the seven customer engagement statements	%	v	70.0	72.0	66.6	Reduction influenced by increase in queue volumes. Measurement approach also changed during year.
	Satisfaction from customers on System Operator performance	%	^	96	78	89	FY2024 report restated due to timing of the assessment validation. Measurement approach changed in FY2024.
	Landowner satisfaction – Landowner satisfaction survey (biennial)	%			91		This survey is biennial and will next be conducted in 2025/26.
	Landowner satisfaction – Number of claims against Transpower to Utility Disputes	number		0	0	0	

Economic

Financial

	Unit	Change	2024/25	2023/24	2022/23	Comments
Financial performance						
Net profit after tax (after fair value changes)	$ million	^	107	90	127	
Return on capital employed	%	^	3.5	2.8	3.4	
Return on equity	%	^	5.9	4.7	6.3	
Dividends paid per year	$ million	v	114	116	120	Impacted by timing of dividend payment. Declared dividend of $120m for FY24/25.
Taxation						
Current tax paid	$ million	^	18.0	17.1	31.8	
Capital investment and supply chain						
Total capital expenditure	$ million	^	600	475	379	
Total procurement spend	$ million	^	1,020	860	741	Operating and capital expenditure.
Total asset value	$ million	^	7,210	6,271	6,417	
Network performance						
Number of loss of supply events greater than 0.05 system minutes	number	^	9	9	13	
Number of loss of supply events greater than one system minute	number		2	1	1	One event was due to lightning strikes removing both 220kV circuits to the Hawke's Bay; the other to a helicopter flying through our transmission line supplying Albury and Tekapo substations.
Unplanned HVAC circuit unavailability	%	v	0.034	0.062	0.494	FY23 reflected the impact of the Cyclone Gabrielle event on Redclyffe substation.
Unplanned HVDC bi-pole unavailability (%)	%	^	0.646	0.066	0.05	Unplanned HVDC availability increased, mainly due to the impacts of ancillary equipment failures and the Wellington weather event of May 2025.
Total impact of interruptions (measured in system minutes)	number	^	5.77	2.53	334.46	While the impact of interruptions increased from 2023/24, the outcome was under a long-term improving performance trend, excluding the Cyclone Gabrielle event in 2022/23.
Generators (Injection)	GWh	v	37,143	38,373	37,945	

	Unit	Change	2024/25	2023/24	2022/23	Comments
Network performance						
GXP-EDBs (offtake)	GWh	⌄	31,522	32,003	31,115	
GXP-direct connects (offtake)	GWh	⌄	5,564	6,342	6,541	Demand reduction at Tiwai is the largest contributor to the decrease.
HVDC flows north	GWh	⌄	2,017	2,324	3,445	Flows north decreased and flows south increased due to hydro generation conservation in the South Island, following low inflows in winter 2024 and early 2025. Losses decreased accordingly.
HVDC flows south	GWh	⌃	745	380	208	As above.
HVDC losses	GWh	⌃	96	90	136	As above.
AC System losses	GWh	⌃	1,312	1,241	1,361	

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.

Catherine Shaw
Chief Financial Officer

Catherine was appointed Chief Financial Officer in February 2022. She joined Transpower from Todd Corporation where she held the role of Group Manager, Treasury, Tax and Insurance and was also a director of Todd Generation Taranaki. Prior to joining Todd, Catherine spent six years as a Partner at EY. Catherine holds a BCom and an LLB from the University of Otago and is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ).

Chantelle Bramley
Executive General Manager Operations

John Clarke
Executive General Manager Future Grid

Brighid Kelly
Executive General Manager People

Cobus Nel
Executive General Manager Information Services & Technology

Raewyn Moss
Executive General Manager Customer and External Affairs

David Knight
Executive General Manager Strategy, Regulation and Governance

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 is a collective unit directing and guiding Transpower's strategic focus and business activities. They are appointed by and are accountable to 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 Director 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 2025.

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

Michele Embling
Chair

Michele has more than ten years' experience as a Chair and board member. Her other governance roles include being a board member of AIA New Zealand Limited, IAG New Zealand Limited, Kiwi Property Group Limited, and Toitū Tahua – the Centre for Sustainable Finance and the Australian Financial Reporting Council. She was previously the chair of the External Reporting Board (XRB) and a board member of the Australian Financial Reporting Council.

Michele served as the Chair of PwC in New Zealand from 2016-2020, 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.

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.

Whaimutu Dewes
Deputy Chair

Owen Coppage

Leon Grice

Parekawhia McLean

Kevin Palmer

Merryn York

Corporate governance

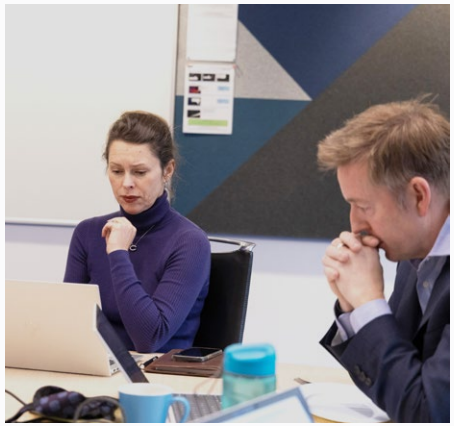
Board Committees

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: **Board committees.**

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 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		8/9	4/4			4/4
Whaimutu Dewes	1 July 2023		9/9		4/4	2/2	
Michele Embling	1 March 2022		[6]8/9	4/4	[6]3/4	[6]1/2	
Leon Grice	28 May 2025		[6]1/9				
Parekawhia McLean	8 July 2022		9/9	4/4	4/4	2/2	
Vanessa Oakley	8 July 2022	31 May 2025	[6]8/9	[6]3/4			4/4
Kevin Palmer	28 May 2025		[6]2/9				
Heather Simpson	1 December 2021	31 October 2024	[6]3/9	[6]1/4		[6]1/2	[6]1/4
Keith Turner	1 December 2021	31 May 2025	[6]8/9	[6]3/4	[6]3/4	[6]1/2	4/4
Merryn York	1 January 2025		[6]4/9		[6]2/4		3/4

6. Attendance impacted by term of directorship and/or term of membership on a Board committee, which commenced or ceased partway through FY2025.

Director skills matrix

*As at 10 July 2025

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 2025
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.	●●●○○

Strategic priority	Director skills and experience	Capability as at 30 June 2025
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 ecurity 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 26 June 2025) 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 policy.

Name	Description	Date
Michele Embling	Chair, External Reporting Board (XRB)	26 June 2025
	Board Member, Toitū Tahua | The Centre for Sustainable Finance	
	Board Member, AIA New Zealand Limited	
	Director, IAG New Zealand Limited	
	Director, Risk Reinsurance Limited	
	Director, Kiwi Property Limited	
Whaimutu Dewes	Director, Whainiho Developments Limited	26 June 2025
	Director, Ngati Porou Whanui Forests Limited	
	Director, Ngati Porou Forests Limited	
Parekawhia McLean	Chair, Hauora Māori Advisory Committee to the Minister of Health	26 June 2025
	Chair, Te Roopu Manukura, University of Waikato Council	
	Board Member, Waikato Tainui (Te Aratuara)	
	Tumu Whakarae I CEO, Te Kāhui Tātari Ture I Criminal Cases Review Commission	
	Director, Sports Waikato	
	Risk and Assurance Committee, Ministry of Transport	
Owen Coppage	Independent Advisor to Genesis Energy Retail Platform Transformation	26 June 2025
	Independent Advisor to Tata Consultancy Services	
	Director, EnergyOS Pty Ltd	
	Independent Advisor to Ausgrid on its Advanced Distribution Management System	
Merryn York	Director, Ande Super Pty Limited	26 June 2025
	Director, Transmission Company Victoria Pty Ltd	
	Executive General Manager System Design, Australian Energy Market Operator Limited	
Leon Grice	Director, Tara Science Limited	26 June 2025
	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	
Kevin Palmer	Director, Priority One western Bay of Plenty	26 June 2025
	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	
	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 remuneration

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

Remuneration paid to Transpower's Directors during FY2025 is shown in the table.

During FY2025, 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	FY25 $000	FY24 $000
Owen Coppage	1 July 2023		67.26	57.32
Whaimutu Dewes	1 July 2023		79.53	71.96
Michele Embling	1 March 2022		72.71	61.68
Leon Grice	28 May 2025		6.60	
Parekawhia McLean	8 July 2022		67.26	60.07
Vanessa Oakley	8 July 2022	31 May 2025	63.62	59.92
Kevin Palmer	28 May 2025		7.30	
Heather Simpson	1 December 2021	31 October 2024	45.47	61.18
Dr Keith Turner	1 December 2021	31 May 2025	115.14	120.63
Merryn York	1 January 2025		36.34	

Subsidiary companies

Information on Directors of subsidiary companies as at 30 June 2025.

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

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.

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).

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 FY2024 base capex plan (spend basis)	Deliver to budget

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.

During the FY2024 the Chief Executive could earn an incentive payment of 40% 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 the FY2024 were assessed between 20–25% of team members' salary.

In relation to their FY2024 performance objectives, the leadership team received an average of 98 per cent of their available incentives, paid in FY2025.

Changes to short-term incentive plan

Following a market review of executive remuneration carried out by an external remuneration consultancy, the Board approved amendments to the Remuneration and Performance Incentive Payment (PIP) Policy with the effect that from 1 July 2024, the Chief Executive can earn an incentive payment of 50% of base salary and the Executive General Managers can earn an incentive of between 30-35% of base salary, subject to company and individual performance targets being met and at the discretion of the Board.

Chief Executive individual objectives FY2024

	TP Strategic Initiative	CE Strategic Initiative	Key Performance Indicators
Facilitate delivery of an optimised transition path for Aotearoa New Zealand's energy system	Advocate for new frameworks and relevant changes to regulatory investment decision-making process, to support rapid electrification	NZGP2 - Implementation plan including stakeholder engagement and effective advocacy	• Establish the implementation plan for NZGP2 to include a stakeholder engagement strategy, key modelling milestones, resource management plan, and the development of the defining key positioning statements. • Ensure the development of required new frameworks and relevant changes to the regulatory investment decision making process are identified, and included in advocacy plan, (e.g., Renewable Energy Zones and offshore wind). • Deliver customer connections through a pipeline that ensures a transparent and effective connection process that advances electrification and meets reasonable customer expectations.
Enhance our social licence to operate	Deliver RCP3 Plan and service measures and complete a successful RCP4 submission	Deliver a strong RCP4 outcome for Transpower	• Continue to deliver RCP3 plan and service measures to deliver on our promise and develop trust in RCP4 plan. • Complete a successful RCP4 submission.
		Future SO/SOSPA reset	• Develop the future system operator programme of work to support the transition and engage effectively with the Authority. • Consider current and alternative funding mechanisms to support the function and its future development.
Accelerate our organisational effectiveness	Deploy initiatives to support capacity to build required for RCP4 and forward work programme	Scale for growth, both Transpower people capacity and broad industry through Transpower external facing initiatives	• Establish the programme plan to ensure Transpower can attract, develop, and retain the workforce required to support the organisation strategy and operational delivery. • Define the programme plan to support our service providers and engineering consultants in their requirement to attract, develop and retain the workforce to deliver on RCP4, MCPs and customer projects. • Implement year one of the Workforce Capability Plan to ensure we can scale the workforce to support RCP4.

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. The performance incentive is paid during the financial year but relates to the prior years' performance as it is paid after balance date.

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 relates to current financial year.
6. The Chief Executive agreed to a 20% reduction in base salary for four months of FY2021, reflecting the financial impact of COVID-19.
7. One-off / discretionary payment of 4% to align the Chief Executive's remuneration with market movement, in accordance with the Remuneration Policy.
8. Alison Andrew completed her term as Chief Executive on 30 June 2024, the incentive payment for FY2024 was paid in September 2025.
9. 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.
10. James Kilty commenced as Chief Executive on 3 February 2025.

Chief Executive remuneration FY2025

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
2024/25 (from February 2025)[10]	James Kilty	476	24	500	-	-	500	-
2024/25 (July 2024-February 2025)[9]	John Clarke (Acting)	419	24	443	-	174	617	100[5]
2024/25[8]	Alison Andrew	-	-	-	-	448	448	95[4]

Chief Executive remuneration five-year summary

Year	Chief Executive	Base salary $000	Benefits[1] $000	Fixed remuneration $000[2]	Discretionary payment $000	Amount of incentive paid[3] $000	Total remuneration $000	% Incentive achieved
2024/25 (from February 2025)[10]	James Kilty	476	24	500	-	-	500	-
2024/25 (July 2024-February 2025)[9]	John Clarke (Acting)	419	24	443	-	174	617	100[5]
2024/25[8]	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]
2020/21	Alison Andrew	944[6]	46	990	42[7]	313	1,345	100[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 and severance or redundancy payments.

Remuneration $000	2025	Remuneration $000	2025
640-649	1	260-269	8
630-639	2	250-259	9
620-629	1	240-249	10
550-559	1	230-239	13
540-549	1	220-229	17
500-509	1	210-219	35
410-419	1	200-209	31
360-369	2	190-199	42
350-359	1	180-189	64
340-349	1	170-179	86
330-339	5	160-169	85
320-329	3	150-159	80
310-319	4	140-149	75
300-309	7	130-139	76
290-299	5	120-129	73
280-289	5	110-119	50
270-279	7	100-109	64
Total employees earning $100,000+			866
Employees who are included but who are no longer with Transpower at 30 June 2025			**32**

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 and Transpower's constitution.

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 2025 Transpower has securities listed on the NZX Debt Market quoted under the ticker codes TRP070, TRP080, TRP090 and TRP100. 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 2025.

	TRP070				TRP080				TRP090				TRP0100			
Bond holders 30 June 2025																
	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**	**No. of bond holders**	**% of bond holders**	**No. of bonds (000)**	**% of bonds**
1,001 – 5,000	2	1.4	10	0.0	0	0.0	0	0.0	12	10.7	60	0.0	9	4.9	45	0.0
5,001 – 10,000	13	8.9	120	0.0	3	7.3	30	0.0	12	12.5	134	0.1	32	17.3	307	0.2
10,001 – 50,000	68	46.6	1,923	0.4	11	26.8	402	0.3	20	40.2	991	0.5	95	51.4	2,590	1.3
50,001 – 100,000	14	9.6	1,151	0.3	5	12.2	439	0.3	61	10.7	925	0.5	19	10.3	1,535	0.8
>100,001	49	33.6	446,796	99.3	22	53.7	149,129	99.4	15	25.9	197,890	99.0	30	16.2	195,523	97.8
Total	**146**	**100.0**	**450,000**	**100.0**	**41**	**100.0**	**150,000**	**100.0**	**120**	**100.0**	**200,000**	**100.0**	**185**	**100.0**	**200,000**	**100.0**

TRPO70			TRP080			TRP090			TRP100		
Top 20 largest listed bond holders 30 June 2025											
Name	**Units**	**% Units**		**Units**	**% Units**		**Units**	**% Units**		**Units**	**% Units**
BNP Paribas Nominees NZ Limited	114,926,000	25.53	New Zealand Local Government Funding Agency Limited	50,000,000	33.33	BNP Paribas Nominees NZ Limited	43,398,000	21.70	Westpac New Zealand Limited (WNZL40)	34,000,000	17.00
Tea Custodians Limited	91,127,000	20.25	BNP Paribas Nominees NZ Limited	31,698,000	21.13	Westpac New Zealand Limited (WNZL40)	32,500,000	16.25	Tea Custodians Limited	29,251,000	14.63
FNZ Custodians Limited	29,842,000	6.64	FNZ Custodians Limited	9,212,000	6.14	Tea Custodians Limited	16,176,000	8.09	Custodial Services Limited	27,480,000	13.74
Custodial Services Limited	28,851,000	6.41	JBWERE (NZ) Nominees Limited	8,765,000	5.84	Custodial Services Limited	16,120,000	8.06	BNP Paribas Nominees NZ Limited	19,691,000	9.85
New Zealand Local Government Funding Agency Limited	27,894,000	6.20	New Zealand Permanent Trustees Limited	8,416,000	5.61	HSBC Nominees (New Zealand) Limited	13,457,000	6.73	FNZ Custodians Limited	17,617,000	8.81
ASB Bank Limited	27,000,000	6.00	TSB Bank Limited	8,000,000	5.33	FNZ Custodians Limited	11,573,000	5.79	TSB Bank Limited	14,000,000	7.00
JBWERE (NZ) Nominees Limited	20,695,000	4.60	HSBC Nominees (New Zealand) Limited	7,835,000	5.22	New Zealand Local Government Funding Agency Limited	10,000,000	5.00	Kiwibank Limited	14,000,000	7.00
TSB Bank Limited	15,500,000	3.44	Kiwibank Limited	5,000,000	3.33	Kiwibank Limited	10,000,000	5.00	Forsyth Barr Custodians Limited	12,580,000	6.29

TRPO70			TRP080			TRP090			TRP100		

Top 20 largest listed bond holders 30 June 2025

Name	Units	% Units		Units	% Units		Units	% Units		Units	% Units
Citibank Nominees (NZ) Limited	14,730,000	3.27	Custodial Services Limited	4,255,000	2.84	TSB Bank Limited	8,250,000	4.13	HSBC Nominees (New Zealand) Limited	6,700,000	3.35
HSBC Nominees (New Zealand) Limited	13,750,000	3.06	Citibank Nominees (NZ) Limited	4,000,000	2.67	Westpac Banking Corporation	7,237,000	3.62	JBWERE (NZ) Nominees Limited	4,530,000	2.28
New Zealand Permanent Trustees Limited	10,960,000	2.44	ANZ Wholesale NZ Fixed Interest Fund	2,800,000	1.87	Forsyth Barr Custodians Limited	6,470,000	3.24	JPMORGAN Chase Bank	3,300,000	1.65
Forsyth Barr Custodians Limited	8,673,000	1.93	JPMORGAN Chase Bank	2,000,000	1.33	JBWERE (NZ) Nominees Limited	5,836,000	2.91	NZX WT Nominees Limited	2,509,000	1.25
The Co Operative Bank Limited	8,350,000	1.86	Tea Custodians Limited	1,600,000	1.07	Citibank Nominees (NZ) Limited	3,000,000	1.50	Investment Custodial Services Limited	2,219,000	1.12
Southland Building Society	6,000,000	1.33	Public Trust IPM Nominees Limited	1,600,000	1.07	ANZ Wholesale NZ Fixed Interest Fund	2,647,000	1.32	Public Trust	1,410,000	0.71
NZX WT Nominees Limited	5,234,000	1.16	MT Nominees Limited	1,250,000	0.83	JPMORGAN Chase Bank	2,513,000	1.26	Carter Group Limited	1,000,000	0.50
Adminis Custodial Nominees Limited	4,379,000	0.97	Forsyth Barr Custodians Limited	1,164,000	0.78	Dunedin City Council	1,400,000	0.70	HSBC Nominees (NZ) Limited	1,000,000	0.50
Investment Custodial Services Limited	3,477,000	0.78	Investment Custodial Services Limited	652,000	0.43	ANZ National Bank Limited	1,337,000	0.67	Public Trust IPM Nominees Limited	800,000	0.40
JPMORGAN Chase Bank	3,061,000	0.68	Jo Ann Arlene Scoggin & John Michael Sundheim	500,000	0.33	NZX WT Nominees Limited	1,262,000	0.63	Lode Roger Missiaen	650,000	0.33
ANZ Wholesale NZ Fixed Interest Fund	3,000,000	0.67	ASB Nominees Limited	290,000	0.20	Carter Group Limited	1,000,000	0.50	Public Trust RIF Nominees Limited	570,000	0.28
Commonwealth Bank of Australia	2,254,000	0.50	Westpac Banking Corporation	211,000	0.14	Investment Custodial Services Limited	859,000	0.44	McMillan Nominees Limited	500,000	0.25

FINANCIAL PERFORMANCE

For the year ended 30 June 2025

This section explains how our integrated thinking and actions play out in our financial results. We provide our auditor's report and our financial statement, as well as commentary on our financial performance for the year to the end of June 2025 compared with prior years.

CIJINA

ASSET MANAGEMENT PLANNING MANAGER – LINES

7 YEARS AT TRANSPOWER

My favourite part of my job is the people – we are focused and aligned in delivering a sustainable, electrified outcome for New Zealand. I've always been passionate about making a difference, and hand on heart I can say Transpower enables me to do that.

Contents

Consolidated financial statements

Notes to the consolidated financial statements

Statement of comprehensive income

For the year ended 30 June 2025

Group ($m)	Notes	2025	2024
Operating revenue	A1	**986**	**930**
Operating expenses	A3	**(420)**	**(385)**
Earnings before interest, tax, depreciation, amortisation, asset write-offs, impairment and changes in the fair value of financial instruments (EBITDAIF)		**566**	**545**
Depreciation, amortisation, asset write-offs and impairment	B1	(303)	(288)
Interest revenue		19	13
Interest expense	C6	(142)	(111)
Net profit before tax and changes in the fair value of financial instruments		**140**	**159**
Gain / (loss) in the fair value of financial instruments	D7	9	13
Net profit before tax		**149**	**172**
Income tax expense	A5	(42)	(82)
Net profit		**107**	**90**
Attributable to:			
Non-controlling interest		-	2
Owners of the parent		107	88

Group ($m)	Notes	2025	2024
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Net gain / (loss) on credit spread changes on own debt	D7	1	(11)
Items that may be reclassified to profit or loss			
Net gain / (loss) on cash flow hedges	D7	(89)	(76)
Other comprehensive income / (expense)		**(88)**	**(87)**
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		(88)	(87)
Total comprehensive income / (expense)		**19**	**3**
Attributable to:			
Non-controlling interest		-	2
Owners of the parent		19	1

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

Statement of financial position

As at 30 June 2025

Group ($m)	Notes	2025	2024
Current assets			
Cash and cash equivalents		673	118
Investments	E2	11	28
Trade receivables and other assets	E4	108	103
Derivative financial instruments	D6	16	107
		808	**356**
Non-current assets			
Trade receivables and other assets	E4	9	6
Derivative financial instruments	D6	254	91
NZPCL investment	E1	91	87
Property, plant and equipment	B1	5,622	5,324
Intangible assets	B2	426	407
		6,402	**5,915**
Total assets		**7,210**	**6,271**
Current liabilities			
Trade and other payables	E5	284	130
Tax payable		4	6
Deferred income	A2	1	1
Derivative financial instruments	D6	29	48
Provisions	E3	11	26
Borrowings	C4	894	301
Lease liabilities	C5	9	9
		1,232	**521**

Group ($m)	Notes	2025	2024
Non-current liabilities			
Deferred income	A2	243	212
Derivative financial instruments	D6	32	21
Provisions	E3	35	34
Borrowings	C4	3,240	2,953
NZPCL debt	E1	92	88
Lease liabilities	C5	80	82
Deferred tax	A5	617	626
		4,339	**4,016**
Total liabilities		**5,571**	**4,537**
Equity			
Capital	C1	1,200	1,200
Retained earnings		471	477
Cash flow hedge reserve	D7	(31)	58
Non-controlling interest	E1	(1)	(1)
Total equity		**1,639**	**1,734**
Total funds employed		**7,210**	**6,271**

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

The Board of Directors of Transpower New Zealand Limited authorised these financial statements for issue on 28 August 2025.

For, and on behalf of, the Board

Michele Embling
Chair

Kevin Palmer
Chair of Audit & Risk Committee

Statement of changes in equity

For the year ended 30 June 2025

Group ($m)	Notes	Ordinary shares	Retained earnings	Cash flow hedge reserve	Owners of the Parent	Non controlling interest	Total
Equity at 1 July 2023		1,200	516	134	1,850	(3)	1,847
Net profit		-	88	-	88	2	90
Other comprehensive income / (expense)		-	(11)	(76)	(87)	-	(87)
Total comprehensive income / (expense)		**-**	**77**	**(76)**	**1**	**2**	**3**
Dividends paid	C3	-	(116)	-	(116)	-	(116)
Total equity at 30 June 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**

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

Cash flow statement

For the year ended 30 June 2025

Group ($m)	Notes	2025	2024
Receipts from customers		983	940
Interest received		19	13
Payments to suppliers and employees		(384)	(380)
Tax payments		(18)	(18)
Interest paid		(110)	(112)
Operating cash flows		**490**	**443**
Sale of investments		29	37
Purchase of property, plant and equipment and intangibles		(613)	(487)
Purchase of investments		(12)	(28)
Investing cash flows		**(596)**	**(478)**
Proceeds from bonds, term debt and commercial paper		1,103	667
Net collateral received / (paid)	E5	129	(9)
Dividends paid	C3	(114)	(116)
Payment of lease liabilities		(9)	(9)
Repayment of bonds, term debt and commercial paper		(448)	(776)
Financing cash flows		**661**	**(243)**
Net increase / (decrease) in cash flow		555	(278)
Cash at the beginning of year		118	396
Cash at the end of year		**673**	**118**
Cash comprises:			
Bank balances and on-call deposits		299	73
Restricted cash - bond and retention money		4	5
Short-term deposits with original maturity less than three months		370	40

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	2025	2024
Net profit		107	90
Add / (deduct) non-cash items:			
(Gain) in the fair value of financial instruments		(9)	(14)
Depreciation, amortisation, asset write-offs and impairment		303	288
Deferred tax		26	66
Capitalised interest	C6	(13)	(7)
Movements in working capital items:			
(Increase) in trade and other receivables		(9)	(20)
Increase in trade and other payables, interest payable, and deferred income		90	38
(Decrease) in taxation payable		(2)	(2)
(Decrease) / Increase in provisions		(3)	4
Operating cash flows		**490**	**443**

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 standard has been issued by the New Zealand Accounting Standards Board, and is 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.

Non-GAAP measures

Transpower use 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)	2025	2024
Transmission revenue		
Interconnection	751	732
Connection	130	121
EV (rebate)	(8)	(25)
Other regulated transmission	4	1
Insurance recoverable	-	5
Customer investment contracts	35	28
Undergrounding and transmission realignment	4	3
Other transmission	9	5
Total transmission revenue	**925**	**870**
Other revenue		
System operator	50	49
Other	11	11
Total other revenue	**61**	**60**
Total operating revenue	**986**	**930**

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 (2024: $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)	2025	2024
Customer investment contracts	198	168
Undergrounding and transmission realignment	42	41
Other	4	4
Total deferred income	**244**	**213**
Current portion	1	1
Non-current portion	243	212
Total deferred income	**244**	**213**

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

	2025		2024	
Group ($m)	**Customer investment contracts**	**Undergrounding and transmission realignment**	**Customer investment contracts**	**Undergrounding and transmission realignment**
As at 1 July	168	41	143	40
Advance payments from customers	54	1	44	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	(23)	-	(18)	-
As at 30 June	**198**	**42**	**168**	**41**

A3. Operating expenses

Group ($m)	2025	2024
Grid maintenance		
Substations maintenance - HVAC	59	61
Substations and cables maintenance - HVDC	16	16
Lines maintenance - HVAC	52	43
Lines maintenance - HVDC	4	2
Transmission-related rates	8	7
Other	9	9
	148	**138**
IST maintenance and operations		
Support and maintenance	19	18
Outsourced services	20	17
Licences	16	14
Other IST	2	2
	57	**51**
Other operating expenses		
Investigations	34	29
Ancillary service costs	6	4
Employee benefits	170	150
Capitalised salary costs	(40)	(33)
Salary transferred to investigations	(11)	(10)
Contractors and consultants	13	12
Industry levies	15	14
Insurance	9	9
Travel and vehicle costs	4	3
Other business support costs	15	18
	215	**196**
Total operating expenses	**420**	**385**

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 $981,000 (2024: $854,000).

Group ($000)	2025	2024
Audit and review of the statutory financial statements		
Year-end audit	567	538
Review of the half year financial statements	66	65
	633	**603**
Audit or review related services required by legislation to be provided by the auditors		
Independent assurance of Transpower's Trust deed requirements[1]	8	7
Reasonable assurance engagement on Risk Reinsurance Limited (RRL) annual solvency return	20	15
Annual regulatory disclosure assurance engagement	174	158
Independent review of Transpower's Greenhouse gas emissions inventory	64	-
	266	**180**
Other assurance services where there is discretion as to whether the service is provided by the auditor or another firm		
Assurance engagement		
Independent review of Transpower's commercial value financial model	12	20
Independent review of Transpower's Greenhouse gas emissions inventory	-	43
	12	**63**
Other services		
Acquisition of remuneration benchmarking reports[2]	5	8
Climate related disclosure pre-assessment[3]	65	-
	70	**8**
Total auditor's remuneration	**981**	**854**

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)	2025	2024
Net profit before tax	149	172
Income tax at 28%	42	48
Tax effect of:		
Removal of building depreciation	-	34
Total income tax expense	**42**	**82**
Comprising		
Current	16	16
Deferred	26	66

Description

There are no unrecognised deferred tax balances (2024: 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 2025 is $10 million (2024: $12 million).

Deferred tax

Group ($m)	As at 1 July 2023	Recognised in profit or loss	Recognised in OCI	As at 30 June 2024	Recognised in profit or loss	Recognised in OCI	As at 30 June 2025
Property, plant and equipment	579	64	-	643	23	-	666
Fair value of net debt and derivatives	37	3	(34)	6	2	(35)	(27)
Deferred income	(1)	(2)	-	(3)	-	-	(3)
Dismantling provision	(6)	1	-	(5)	(1)	-	(6)
Other	(15)	-	-	(15)	2	-	(13)
Total deferred tax	594	**66**	**(34)**	626	**26**	**(35)**	617

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 customers and assets based in New Zealand. The Group has no other reportable segments.

	Transmission		System Operator		Other		Total	
Group ($m)	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
External revenue	925	871	50	49	11	10	986	930
Capex	589	467	11	8	-	-	600	475

Major customers

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

Customer	% of Group Revenue	Segment
Vector Limited	20 (2024: 20)	Transmission
Powerco Limited	10 (2024: 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 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 reclassification	1	-	(1)	-	-	-	-	-	-
Closing net book value	**2,178**	**100**	**2,290**	**422**	**164**	**80**	**100**	**288**	**5,622**
At 30 June 2024									
Cost	3,187	180	3,233	927	495	228	157	240	8,647
Accumulated depreciation	(1,065)	(78)	(1,118)	(511)	(327)	(172)	(52)	-	(3,323)
Net book value	**2,122**	**102**	**2,115**	**416**	**168**	**56**	**105**	**240**	**5,324**
Comprising									
Opening net book value	2,072	105	2,045	419	169	57	107	150	5,124
Additions	1	-	4	1	-	-	9	439	454
Transfers from work in progress	138	2	151	22	26	9	-	(348)	-
Disposals	(2)	-	(2)	-	(1)	-	-	(1)	(6)
Depreciation	(87)	(5)	(84)	(26)	(26)	(10)	(11)	-	(249)
Impairment reversal	-	-	1	-	-	-	-	-	1
Closing net book value	**2,122**	**102**	**2,115**	**416**	**168**	**56**	**105**	**240**	**5,324**

Land and buildings are contained within the above classes and have a net book value of $306 million (2024: $278 million).

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

Depreciation, amortisation, write-offs and dismantling

Group ($m)	2025	2024
Depreciation	262	249
Amortisation	32	34
Net impairment expense / (reversal)	-	(1)
Net loss on disposal	4	5
Dismantling expense	5	1
	303	**288**

Work in progress is split into the following classes:

Group ($m)	2025	2024
HVAC transmission lines	64	37
HVAC substations	160	177
Communications	2	4
Other	62	22
	288	**240**

Capital Commitments

At 30 June 2025, Transpower has $296 million of property, plant and equipment commitments (2024: $274 million), of which $267 million is due within one year of balance date (2024: $274 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 2025 (2024: 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.

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	16 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 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**
At 30 June 2024				
Cost	311	508	26	845
Accumulated amortisation	(8)	(430)	-	(438)
Net book value	**303**	**78**	**26**	**407**
Comprising				
Opening net book value	304	90	11	405
Additions	-	-	36	36
Transfers from work in progress	-	21	(21)	-
Amortisation	(1)	(33)	-	(34)
Closing net book value	**303**	**78**	**26**	**407**

Capital commitments

At 30 June 2025, Transpower has $8 million of intangible asset commitments (2024: $1 million), all of which are due within one year of balance date (2024: $1 million).

Description

The most significant right-to-access asset relates to the 2011 purchase of access rights to the Vector Tunnel in Auckland for $50 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	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 2025, no impairment loss was recognised in relation to emissions units (2024: nil).

C: Funding

C1. Share capital

Transpower has 1,200,000,000 issued and fully paid $1 ordinary shares (2024: 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 ($m)	Note	2025	2024
Net assets / (equity)		1,639	1,734
Less intangible assets	B2	(426)	(407)
Total net tangible assets		**1,213**	**1,327**
Net tangible assets per share ($)		**1.01**	**1.11**

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

C3. Dividends

	2025		2024	
Dividends declared and paid	**($m)**	**cents per share**	**($m)**	**cents per share**
Final dividend paid (2024:2023)	66	6	72	6
Interim dividend paid (2025:2024)	48	4	44	4
	114	**10**	**116**	**10**
Final dividend declared	**72**	**6**	**66**	**6**

On 28 August 2025, the Directors approved the payment of the final dividend of $72 million. The dividend will be partially imputed and is expected to be paid on 22 September 2025.

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	1,300
Domestic commercial paper programme	NZD	500	500	174
Australian medium term note programme	AUD	1,000	1,080	840

Green financing

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

The Programme covers both existing and future issuances of Transpower's borrowings instruments, 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 Programme.

Group ($m)	Issuance	Maturity	Coupon (%)	2025	2024
Domestic Commercial Paper					
NZ Issue	NZ$175	26-Aug-25	4.27	174	-
Domestic Bonds					
Bonds 2025	NZ$125	06-Mar-25	3.82	-	125
Bonds 2025	NZ$175	09-Jun-25	BKBM + 0.32	-	176
Bonds 2025	NZ$450	04-Sep-25	1.74	451	433
Bonds 2026	NZ$150	08-Apr-26	1.52	148	141
Bonds 2026	NZ$200	08-Sep-26	2.05	198	189
Bonds 2026	NZ$200	14-Sep-26	BKBM + 0.37	201	201
Bonds 2027	NZ$200	16-Sep-27	4.63	207	201
Bonds 2028	NZ$100	15-Mar-28	5.89	107	105
Australian Medium Term Notes					
AUD MTN 2028	AU$200	29-Nov-28	4.98	223	220
AUD MTN 2030	AU$300	30-Jun-30	5.23	338	340
AUD MTN 2032	AU$270	12-Mar-32	5.00	302	-
Swiss Bonds					
CHF MTN 2027	CHF125	16-Dec-27	0.02	256	220
CHF MTN 2029	CHF160	16-Mar-29	0.04	326	278
CHF MTN 2030	CHF120	04-Feb-30	0.82	252	-
CHF MTN 2031	CHF150	21-Mar-31	1.35	323	277
CHF MTN 2033	CHF130	04-Feb-33	1.01	273	-
US Private Placement					
USPP 2026	US$75	28-Jun-26	2.81	121	119
USPP 2026	US$70	13-Oct-26	3.83	115	113
USPP 2028	US$75	28-Jun-28	2.91	119	116

Group ($m)	Issuance	Maturity	Coupon (%)	2025	2024
Carrying value of borrowings				**4,134**	**3,254**
Comprising					
Current				894	301
Non-current				3,240	2,953

The effective interest rate on borrowings, including the effect of all derivative financial instruments, was 3.71% (2024: 3.0%).

Total debt, net of cash and short-term deposits held for the purpose of managing debt refinancing, maturing in the 12 month period is $535 million (2024: $208 million), within the $750 million policy threshold. The contractual amount Transpower is required to repay is disclosed as "issuance" in the table above and may be greater than the fair value presented on the financial statements.

Changes in borrowings	2025	2024
As at 1 July	3,254	3,292
Net cash borrowed / (repaid)	655	(109)
Non-cash change in fair value adjustment through P&L	299	57
Non-cash change in fair value adjustment through OCI	(1)	15
Other	(3)	(1)
As at 30 June	**4,134**	**3,254**

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 a decrease of $1 million (2024: increase of $15 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)	2025	2024
As at 1 July	91	91
Additions	7	9
Accretion of interest	3	3
Payments	(12)	(12)
As at 30 June	**89**	**91**
Comprising		
Current	9	9
Non-current	80	82

For the year ended 30 June 2025, $2 million (2024: $2 million) is included in operating expenses relating to short-term leases and low-value assets.

Total cash outflow for leases was $15 million (2024: $14 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)	2025	2024
Interest expense and associated fees	138	103
Capitalised interest	(13)	(7)
Lease interest	3	3
Imputed interest	14	12
	142	**111**

Description

Capitalised interest is based on Transpower's forecast weighted average cost of borrowing, being 3.31% for the period 1 July 2024 to 31 March 2025 and 5.08% for the period 1 April 2025 to 30 June 2025 (2024: 3.32%).

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. Surplus equity is returned by way of dividends to shareholders.

Transpower's investment grade credit rating is Standard & Poor's AA (2024: 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 NZ$750m, or up to NZ$1bn with prior Board approval. In addition, the Group maintains access to committed funding facilities in excess of borrowings that mature in the next six months and cumulative anticipated operating cash flow requirements. At year end the Group has committed standby facilities split into two tranches of NZ$250m each, maturing 31 December 2025 and 31 December 2026. These facilities have been undrawn since inception (2024: same).
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: a. future interest payments on borrowings subject to floating interest rates (cash flow risk); and b. 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 economically 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:*** Is managed by acquiring high quality credit from counterparties with a minimum long-term Standard & Poor's credit rating of A "stable" or better (or equivalent from Fitch or Moody's). In addition, establishing appropriate credit limits, which are constrained at 20% of Shareholders Funds. The Group's exposure and the credit ratings of its counterparties are continuously monitored to ensure the risk is spread among approved counterparties. ***Regulated customers:*** Transpower recovers the value of regulated transmission assets in accordance with the Commission input methodologies. The effect of the regulations are that a customer default would result in Transpower recovering any revenue shortfall from all other transmission customers. ***Customer investment contracts:*** Risk is minimised through applying credit limits and appropriate credit management practices, such as monitoring the size and nature of exposures and mitigating the risk deemed to be above acceptable levels.
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% (24% in RCP3) 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 (+/- $11m in RCP3) 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.

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**

2024

Group ($m)	<1 year	1 - 2 years	2 - 5 years	>5 years	Total
Borrowings	411	802	1,799	635	3,647
Borrowings-related derivatives	85	47	(42)	9	99
Interest rate swaps (portfolio) - liabilities	7	3	-	-	10
Interest rate swaps (portfolio) - assets	(109)	-	1	(1)	(109)
Trade and other payables	130	-	-	-	130
Leases	13	12	33	54	112
Total contractual cash flows	**537**	**864**	**1,791**	**697**	**3,889**

D3. Interest rate risk

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

- **Borrowings related derivative** – Interest rate swaps and cross-currency interest rate swaps that relate directly to particular debt issues and convert from fixed to floating interest rates. These interest rate swaps and cross-currency interest rate swaps are entered into to mitigate the variability in interest costs as they align interest rate exposures to the Regulatory Control Period.
- **Portfolio derivatives** – Interest rate swaps that are not directly related to underlying borrowings and are used to manage the net exposure to interest rate risk in line with Board approved hedging policy and profile.

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

			2025		2024	
Group ($m)	**Currency**	**Maturity Date**	**Notional value**	**Fair value**	**Notional value**	**Fair value**
Borrowings-related derivatives						
Interest rate swaps	NZD	2025 - 2028	1,100	(4)	1,225	46
Cross-currency interest rate swaps	AUD	2028 - 2032	840	(15)	542	(5)
	CHF	2027 - 2033	1,201	(197)	715	(41)
	USD	2026 - 2028	306	(41)	306	(32)
Portfolio derivatives						
Interest rate swaps	NZD	2025 - 2030	4,990	48	4,660	(97)
Total derivatives fair value (assets) / liabilities				**(209)**		**(129)**

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)	2025		2024	
Movement in yield curve	**+100bp**	**-100bp**	**+100bp**	**-100bp**
Impact on pre-tax profit and loss				
Interest expense (annual impact)	(6)	6	(5)	5
Fair value adjustments	9	(9)	8	(8)
Impact on other comprehensive income				
Fair value increase / (decrease)	168	(177)	46	(49)

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)	2025	2024
Cross-currency interest rate swaps	124	78
Interest rate swaps	-	83
Total	**124**	**161**

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 2025, the collateral held was $2.8 million (2024: $0.1 million).

Receivables balances greater than 10% of the total trade receivables are:

	2025		2024	
Group	($m)	(%)	($m)	(%)
Vector Limited	21	21	20	21
Powerco Limited	11	10	9	10

Unregulated customers

The majority of unregulated credit exposure relates to electricity lines companies and electricity generators, most of whom remain financially stable.

There have been no customer defaults in 2025 (2024: 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 2025 (net of any excess payable) of $49 million (2024: $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:

	2025		2024	
Group ($m)	**Asset**	**Liabilities**	**Asset**	**Liabilities**
Borrowings related derivatives				
Interest rate swaps (portfolio) - cash flow hedge accounted	-	(46)	108	(1)
Interest rate swaps (portfolio)	12	(11)	4	(60)
Cross-currency interest rate swaps	254	-	86	(8)
Purchasing related derivatives and hedge commitment				
Foreign exchange forward contracts	2	(2)	-	-
Commitment on fair value hedges	2	(2)	-	-
Total derivatives and hedge commitment	**270**	**(61)**	**198**	**(69)**
Comprising				
Current	16	(29)	107	(48)
Non-current	254	(32)	91	(21)

The interest rate swaps (portfolio) have an average contracted fixed interest rate of 3.73% (2024: 2.11%).

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 into an effective cash flow hedge relationship as a hedging instrument, 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:

a. **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 are recognised in other comprehensive income and accumulate 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.

b. **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 estimates

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)	2025	2024
Change in fair value of financial instruments		
Hedged foreign currency purchase commitment	-	-
Foreign exchange forward contracts	-	-
Fair value hedges - gain / (loss)	**-**	**-**
Borrowings	(229)	(57)
NZPCL debt and investment	-	3
Cross-currency interest rate swaps	182	19
Interest rate swaps	56	47
Investments	-	1
Derivatives not designated as hedges - gain / (loss)	**9**	**13**
Total change in fair value of financial instruments in the income statement	**9**	**13**

The change in fair value of investment that is attributable to changes in the credit risk is a gain of $0.3 million (2024: $0.2 million).

The fair value movements in the table above do not include interest.

Credit risk components in other comprehensive income

Group ($m)	2025	2024
Credit spread on debt		
Foreign debt	3	(11)
NZD debt	(2)	(4)
Gross fair value gain / (loss)	**1**	**(15)**
Less income tax benefit / (expense)	-	4
Total change in fair value of financial instruments in other comprehensive income	**1**	**(11)**
Reconciliation of movements in the cash flow hedge reserve		
As at 1 July	58	134
Effective (loss) on cash flow hedges recognised directly in the cash flow hedge reserve account	(124)	(106)
Income tax on change in cash flow hedge reserve	35	30
As at 30 June	**(31)**	**58**

E: Other disclosures

E1. NZPCL debt and investment

Group ($m)	2025	2024
NZPCL - non-current investment	91	87
NZPCL - non-current debt	(92)	(88)
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)	2025	2024
Deposits - RRL	-	15
Corporate bonds - RRL	11	13
Total current investment	**11**	**28**

The cumulative change in fair value of investments attributable to changes in the credit risk is nil (2024: 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 cash and 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.

Deposits and 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	6	30	17	7	60
Provisions made during the year	3	4	-	5	12
Provisions used during the year	(8)	(9)	(2)	(1)	(20)
Provisions reversed during the year	-	(1)	(2)	(3)	(6)
As at 30 June	**1**	**24**	**13**	**8**	**46**
Comprising					
Current	1	4	3	3	11
Non-current	-	20	10	5	35

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 3.14% to 5.97% (2024: 4.42% to 5.37%).

E4. Trade receivables and other assets

Group ($m)	2025	2024
Trade receivables	97	88
Prepayments	17	17
Inventory	3	4
Total trade receivables and other assets	**117**	**109**
Comprising		
Current	108	103
Non-current	9	6

Ageing of trade receivables

Current	97	88
Past 31 days	-	-
	97	**88**

Description

No expected credit losses have been recognised during the year (2024: 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)	2025	2024
Trade creditors and accruals	137	113
Employee entitlements	18	17
Collateral posted by counterparties	129	-
Total trade and other payables	**284**	**130**
Comprising		
Current	284	130
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	2025	2024
As at 1 July	-	9
Collateral paid	(596)	(179)
Collateral received	725	170
As at 30 June	**129**	**-**

Accounting policies

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

E6. Related parties

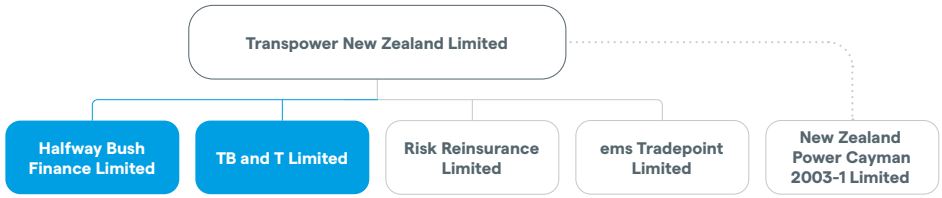
Group entities

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)	2025	2024
Directors' fees	1	1
Chief Executive and senior management team	6	7
Short-term employee remuneration	**7**	**8**
Defined contribution schemes	-	-

There were no termination payments or long-term compensation paid to key management personnel in 2025 (2024: 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)	2025	2024
Meridian Energy Limited - revenue	72	68
Electricity Authority - revenue	51	50
Genesis Energy Limited - revenue	17	16

Meridian Energy Limited (Meridian) is a majority state owned company and is an electricity generator and retailer. Meridian pays Transpower primarily for electricity transmission.

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.

Genesis Energy Limited (Genesis) is a majority state owned company and is an electricity generator and retailer. Genesis 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 debt holders of Transpower's domestic bonds and bank debt through trust deed arrangements and to holders of Swiss bonds, United States Private Placement and Australian Medium Term notes through respective debt documents. 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.

Capacity Reservation Agreement (CRA)

In Dec 2024, the Group entered into a Capacity Reservation Agreement with Prysmian Powerlink S.r.l. for the manufacture and installation of submarine HVDC cables in 2032. The CRA reserves the cable manufacturing, the ship required for transport, and the experts to install the cable. The CRA also required Transpower to provide a financial guarantee, to support future cash payments under specific circumstances. The possibility of such an outflow occuring under the CRA is considered unlikely.

(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 from 1 April 2020 to 31 March 2025. The Commission set the undiscounted amount to be returned by Transpower to its customers in RCP3 at $18 million per annum 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 2024, as shown in the published regulatory disclosure of the annual compliance statement 2023-24. The 2024-25 statement will be published in October 2025.

Group ($m)	Total
Opening EV account balance (1 July 2023)	80
Interest on opening balance	3
Returned / (recovered) during year	18
To be recovered from / (paid to) customers in RCP4	5
Closing EV account balance (30 June 2024)	**106**

(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) 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.

E8. Subsequent events

On 27 June 2025, a state of emergency was declared in Nelson and the Tasman region due to heavy rain and flooding. The state of emergency was lifted on 17 July 2025, following which a full review of our assets has been completed, which confirmed that a number of our assets have been affected. These assets will require repair to ensure they continue to operate safely. The financial impact of the remediation is estimated to be between $6 and $8 million.

On 31 July 2025, Transpower issued senior, unsecured, three-year Green Floating Rate Notes and five-year Green Bonds to domestic investors for a total of NZ$225 million The proceeds have been notionally allocated to existing electrical grid related assets and projects that meet the eligibility criteria set out in Transpower's Green Financing Framework.

On 28 August 2025, the Directors approved the payment of the final dividend of $72 million. The dividend will be partially imputed and is expected to be paid on 22 September 2025.

Shape the future with confidence

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TRANSPOWER NEW ZEALAND LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

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 107 to 134, that comprise the consolidated statement of financial position as at 30 June 2025, 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 2025, 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 our 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* issued by the New Zealand Auditing and Assurance Standards Board, and 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 assignments in the areas of other assurance services, agreed upon procedures, remuneration benchmarking and non-GHG climate disclosure related pre-assessment services, which are compatible with those independence requirements. Other than in our capacity as auditor and these assignments, 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 current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of the material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Regulated assets

Why significant	How our audit addressed the key audit matter
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 2025. 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 *Property, Plant and Equipment* and NZ IAS 38 *Intangible Assets*. - 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 determine whether they ought to have been commissioned and depreciated as at 30 June 2025. - 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 *Impairment of Assets* 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 2025 and considered the reasons for such differences. - Independently considered the completeness of management's assessment of indicators of impairment with reference to NZ IAS 36 *Impairment of Assets*. - 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 *Property, Plant and Equipment,* NZ IAS 38 *Intangible Assets* and NZ IAS 36 *Impairment of Assets.* We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.

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Debt and derivatives

Why significant	How our audit addressed the key audit matter
Transpower has significant debt and derivative financial instruments. The total debt and derivative portfolio at 30 June 2025 was a net liability position of $4.1b and is detailed in Notes C4 and D6 to the consolidated financial statements. Some, but not all, of Transpower's derivatives used to 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 all debt and derivatives at 30 June 2025. - 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 *Financial Instruments*. - Assessed the Group's analysis of the effectiveness of its hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the hedged item. - Assessed the appropriateness of accounting adopted for derivative instruments dependent 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 *Financial Instruments: Disclosure*. 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 all 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 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.

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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 readers 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.

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- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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, related safeguards.

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
28 August 2025

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

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

Merryn York

Executive Leadership Team

James Kilty
Chief Executive

Chantelle Bramley
Executive General Manager Operations

John Clarke
Executive General Manager Future Grid

Brighid Kelly
Executive General Manager People

David Knight
Executive General Manager Strategy Regulation and Governance

Raewyn Moss
Executive General Manager Customer and External Affairs

Cobus Nel
Executive General Manager Information Services & Technology

Mark Ryall,
Executive General Manager Grid Delivery

Catherine Shaw
Chief Financial Officer

Matt Webb
Executive General Manager Grid Development

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Christchurch 8143
T 64 3 590 7000

DORALBA

PRINCIPAL ENGINEER SUBSTATIONS

4 YEARS AT TRANSPOWER

Being able to research and solve problems that have an impact on a national scale is awesome. I love working somewhere where we can have a positive impact on every single person in the country – it makes it very easy to find the meaning in our work each day.

Scan to read Doralba's story:
Profiles - Transpower

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