

15 September 2023

Stephen Jones
Transpower NZ Ltd
Waikoukou
PO Box 1021
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NZGP1.1 Major Capex Proposal Investment Test Assurance Review

Dear Stephen

This letter outlines the findings of our Investment Test Assurance Review.

Introduction

TSA Management Ltd (TSA) was engaged by Transpower New Zealand Limited (Transpower) to conduct a review of the accuracy of the figures presented in the updated Net Zero Grid Pathways major capital expenditure project [dated September 2023] (**updated NZGP1.1 Proposal**).

This review builds upon our August 2023 review of Transpower's calculations used to determine the expected net electricity market benefits (ENEMB) for the Net Zero Grid Pathways 1 (NZGP1.1) major capital expenditure project Addendum.

Background

During our August 2023 review, TSA evaluated Transpower's calculations used to determine ENEMB for the NZGP1.1 Major Capex Proposal Addendum.

The scope of this review included the following:

- verification of the mechanical calculations in Transpower's 'NZGP1.1 MCP Investment Test' spreadsheet to ensure accuracy.
- examination of the logic applied in the spreadsheet to calculate ENEMB.
- validation of the accuracy of the figures published in Transpower's NZGP1.1 Major Capex Proposal Addendum, including sensitivity analyses.

Concurrently, TSA independently created a reproduction of this spreadsheet (referred to as the Authentication Model) to cross-check for calculation errors or omissions. Our review of Transpower's ENEMB calculations identified certain errors.

Upon comparing Transpower's model with our corrected Authentication Model, we identified an error that had led to an overstatement of the cost calculations for the investment test options. This calculation error had implications for the magnitude of benefits in terms of ENEMB. Our review did not identify any other significant issues.

In response to our August 2023 review, Transpower has rectified the analysis and re-issued a corrected consultation package to stakeholders.

Investment Test Assurance Review


TSA has conducted an Assurance Review of the Investment Test figures presented in the updated NZGP1.1 Proposal and assessed their consistency with the corrected analysis.

We confirm that Transpower has:

- addressed the previously identified Investment Test calculation errors.
- ensured that the Investment Test figures presented in the updated NZGP1.1 Proposal align with those in the corrected Investment Test calculation model.

We found no other material issues during our review of the Proposal documents.

Yours sincerely



Steve Haultain
Managing Principal (Acting)

TSA Management Ltd.