

INDEPENDENT ASSURANCE REPORT

To: The Directors of Transpower New Zealand Limited

Introduction

We have been asked to confirm that Transpower's calculation of its AC forecast revenue requirement and HVDC forecast revenue requirement for the assessment period ending 30 June 2010 is consistent with Schedule 1 of the Commerce Act (Transpower Thresholds) Notice 2008. The AC and HVDC forecast revenue requirement result is set out in Attachment A to this report.

Directors' Responsibilities

The Directors are solely responsible for the AC and HVDC forecast revenue requirement calculation and the maintenance and integrity of the underlying records, models and application systems supporting the forecast revenue requirement calculation.

Auditors' Responsibilities

Our responsibility is to provide a conclusion on whether Transpower's AC and HVDC forecast revenue requirement calculations for the assessment period ending 30 June 2010 have been determined in a manner consistent with Schedule 1 of the Commerce Act (Transpower Thresholds) Notice 2008.

Basis of Conclusion

Our review procedures included examining, on a test basis, evidence supporting the calculation of the AC and HVDC forecast revenue requirements, examination of internally and externally generated documents and records, interviewing selected personnel and such other procedures as we considered necessary in the circumstances.

Our specific procedures have included:

- Reviewing the principles used in the AC and HVDC forecast revenue requirement calculations and confirming these are in accordance with the specifications set out in Schedule 1 of the Commerce Act (Transpower Thresholds) Notice 2008.
- Testing whether the AC and HVDC forecast revenue requirement calculations are mathematically correct.
- Identifying key inputs to the AC and HVDC forecast revenue requirement calculation and reconciling or agreeing these to source documents and systems.
- Confirmation that capital expenditure included within the regulatory asset base is consistent with amounts approved by the Electricity Commission.



In performing the procedures noted above, we have placed reliance on the underlying systems and business records maintained by Transpower from which the inputs are sourced for the forecast revenue requirement calculation.

We based our approach in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *'Assurance Engagements other than audits or reviews of historical financial information'*, developed by the International Federation of Accountants. We planned and carried out our work to obtain reasonable, rather than absolute, assurance on the specific matters in relation to the forecast revenue requirement calculation that we have been asked to report on.

We provide Internal Audit, Tax and Advisory services to Transpower.

Conclusion

We conclude that:

Transpower's AC and HVDC forecast revenue requirement calculations for the assessment period ending 30 June 2010 have been determined in a manner consistent with Schedule 1 of the Commerce Act (Transpower Thresholds) Notice 2008.

We completed our work for the purposes of this report on 1 October 2008 and our conclusion is expressed as at that date.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Wellington