



Independent Reasonable Assurance Report to Directors of Vector Limited and Commerce Commission New Zealand

Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, Vector Limited has, in all material respects, complied with the New Zealand Commerce Commission's Gas Distribution Information Disclosure Determination 2012 (amended as of 3 April 2018) and Gas Distribution Services Input Methodologies Determination 2012 (**Input Methodologies**) (together **the Determination**) in preparing Schedules 1, 2, 3, 4, 5 (a-g), 6 (a-b), 7, 10a(ii) and 14 (boxes 1 – 12) of the Vector Limited Gas Distribution Information Disclosure Requirements Information Template (the **Schedules**) for the year ended 30 June 2024.

In our opinion, Vector Limited's basis for valuation of related party transactions in the year ended 30 June 2024 has complied, in all material respects, with clause 2.3.6 of the Gas Distribution Information Disclosure Determination 2012 (amended as of 3 April 2018) and clauses 2.2.11(1)(g) and 2.2.11(5) of the related Input Methodologies.

In our opinion, as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Schedules for the year ended 30 June 2024 have been kept by Vector Limited and the information used in the preparation of the Schedules for the year ended 30 June 2024 has been properly extracted from Vector Limited's accounting and other records and has been sourced, where appropriate, from Vector Limited's financial and non-financial systems for the period 1 July 2023 to 30 June 2024.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to Vector Limited's Schedules 1, 2, 3, 4, 5 (a-g), 6 (a-b), 7, 10a(ii) and 14 (boxes 1 – 12) of the Vector Limited Gas Distribution Information Disclosure Requirements Information Templates for the period 1 July 2023 to 30 June 2024.

Criteria

We have performed an engagement to provide reasonable assurance in relation to Vector Limited's compliance with the New Zealand Commerce Commission's Gas Distribution Information Disclosure Determination 2012 (amended as of 3 April 2018) and Gas Distribution Services Input Methodologies Determination 2012 for the year ended 30 June 2024. As a result, this report may not be suitable for another purpose.

Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in our reasonable assurance engagement in relation to Vector Limited's compliance with the Determination for the year ended 30 June 2024. We summarise below those matters and our key procedures to address those matters in order that the directors of Vector Limited and the New Zealand Commerce Commission may better understand the process by which we arrived at our opinion. Our procedures were undertaken in the context of and solely for the purpose of our opinion on the Schedules as a whole and we do not express discrete opinions on separate elements of the Schedules.

The key assurance matter

How the matter was addressed in our assurance engagement

1. Capitalisation of assets into the regulatory assets base (RAB). Refer to Schedule 4 and Schedule 6a.

Capitalisation of assets into the RAB (capital expenditure during the year of \$10.8 million and assets commissioned of \$9.8 million) is a key assurance matter due to the following significant judgements involved:

- Assessment of whether an asset meets the definition of an asset under the Determination; and
- Allocation of non-directly attributable assets to the gas distribution business. Specifically, this judgement relates to the selection of allocators which appropriately align to the cause of the expenditure.

Our procedures included, amongst others:

- Evaluating and examining the operating effectiveness of controls related to the approval of capital expenditure;
- Checking a sample of capitalised costs to invoices to determine whether the description of the expenditure met the capitalisation criteria in the Determination;
- Comparing RAB assets commissioned to those commissioned for financial reporting purposes and investigating any significant differences;
- Challenging the allocators used to allocate non-directly attributable assets into the RAB. This included an assessment of whether the allocator is an appropriate reflection of the cause of the expenditure.

2. Completeness and accuracy of SAIDI and SAIFI. Refer to Schedule 10a(ii).

The accuracy and completeness of SAIDI and SAIFI (717 interruptions in the period resulting in SAIDI and SAIFI of 902 and 7.69 respectively) in the period is a key assurance matter due to the following factors:

- The complexity of the calculation of SAIDI and SAIFI which requires detailed information about each individual outage, including the start time and restoration time for each affected connection; and

The procedures we performed to evaluate accuracy of the dataset used to calculate SAIDI and SAIFI included amongst others:

- Comparing the details of each interruption in the SAIDI and SAIFI dataset to the interruption records of Vector Limited's external field service provider;
- Testing a sample of events for which field service provider records were not available by comparing the facts surrounding the events such as start time,



The key assurance matter

How the matter was addressed in our assurance engagement

- The reliance of manual manipulation of the outage dataset to arrive at the SAIDI and SAIFI numbers in schedule 10.

number of customers affected and end time were consistent with the underlying books and records of Vector Limited; and

- Recalculating SAIDI and SAIFI according to the methodology of the Gas Information Disclosure Determination.

The procedures we performed to evaluate completeness of the dataset used to calculate SAIDI and SAIFI included amongst others:

- Checking whether interruption events recorded in the media were appropriately recorded in the dataset; and
- Performing data analysis to compare the recorded events to historic frequency and severity and investigating any significant differences.

3. Allocation of shared and other costs into operating expenditure. Refer to Schedule 5d and Schedule 6b.

The allocation of shared and other costs (\$8.2 million of non-directly attributable expenditure within the total of \$17.1 million of operating expenditure) into operating expenditure is a key assurance matter due to:

- The fact that Vector Limited operates across a number of businesses, both regulated services (electricity distribution and gas distribution) and non-regulated services. A number of operating costs are shared across these businesses; and
- Allocation of shared and other costs into the gas distribution business requires judgement. Specifically this judgement relates to the selection of allocators which appropriately align to the cause of the expenditure.

The procedures we performed to evaluate the allocation of non-directly attributable costs included, amongst others:

- Challenging the allocators used to record shared and other costs into operating expenditure. This included assessing whether the allocator is an appropriate reflection of the cause of the expenditure;
- Comparing the total amount of shared and other costs to that recorded for financial reporting purposes and investigating any significant differences; and
- Comparing shared and other costs to historic levels and our understanding of the current business model and strategy.

4. Valuation and identification of related party transactions Refer to Schedule 5b.

The valuation of transactions with related parties (\$0.82 million of purchases from related parties included in operating expenditures and \$1.98 million of gas distribution services sold to related parties) is a key assurance matter due to the significant judgement required by us in forming a view of related party pricing in the absence, or insufficiency, of publicly available information about pricing and terms of comparable transactions.

The identification of transactions with related parties is a key assurance matter because Vector Limited

The procedures we performed to evaluate valuation of related party transactions included amongst others:

- Obtaining an understanding of Vector Limited's approach to identifying and valuing related party transactions in accordance with the Determination;
- Comparing the pricing of each related party transaction to the price of similar transactions conducted by the Vector Gas Distribution business with external parties;



The key assurance matter

operate in a number of business areas which may give rise to related party transactions with the gas distribution business.

How the matter was addressed in our assurance engagement

- Comparing the value of each related party transaction to at least one of the following:
 - the standard price list or standard rates applied to third party transactions obtained directly from the related party;
 - the observed market price for similar goods or services; or
 - an independent market valuation.

The procedures we performed to evaluate the identification of related party transactions included:

- Challenging whether all related party transactions had been included by comparing to our understanding of Vector Limited's operating model; and
- Comparing all related party transactions recorded for financial reporting purposes to those identified and disclosed in the Schedules.

Standards we followed

We conducted our reasonable assurance engagement in accordance with ISAE (NZ) 3000 (Revised) Assurance Engagements other than audits or reviews of historical financial information (ISAE (NZ) 3000 (Revised)) and Standard on Assurance Engagements 3100 (Revised) Compliance Engagements (SAE 3100 (Revised)) issued by the New Zealand Auditing and Accounting Standards Board (**Standards**). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable opinion. In accordance with the Standards, we have:

- used our professional judgement to assess the risk of material misstatement and non-compliance and plan and perform the engagement to obtain reasonable assurance that the Schedules are free from material misstatement and non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

How to interpret reasonable assurance and material misstatement and non-compliance

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect material misstatement and non-compliance, when it exists.

Misstatements, including omissions, within the Schedules and non-compliance is considered material if, individually or in aggregate, they it could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the Schedules.



Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the period 1 July 2023 to 30 June 2024 does not provide assurance on whether compliance with the Determination will continue in the future or that the information used in the preparation of the schedule will continue to be properly extracted from Vector Limited's accounting and other records, sourced from its financial and non-financial systems.

Use of this assurance report

Our report is made solely for Vector Limited. Our assurance work has been undertaken so that we might state to Vector Limited those matters we are required to state to them in the assurance report and for no other purpose.

Our report is released to Vector Limited and the Commerce Commission New Zealand on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent. No other third party is intended to receive our report.

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

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to anyone other than Vector Limited for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our opinion is not modified in respect of this matter.

Vector Limited's responsibility for the Schedules

The directors of Vector Limited are responsible for the preparation of the Schedules in accordance with the Determination for the year ended 30 June 2024. This includes the compliance activities undertaken to value the related party transactions in accordance with clause 2.3.6 of the Gas Distribution Information Disclosure Determination 2012 (amended as of 3 April 2018) and clauses 2.2.11(1)(g) and 2.2.11(5) of the related Input Methodologies.

This responsibility includes such internal control as the directors determine is necessary to enable preparation of the Schedules that are free from material misstatement and non-compliance whether due to fraud or error and the identification of risks that threaten the compliance requirements identified above being met and identifying, designing and implementing controls which will mitigate those risks and monitor ongoing compliance.

Our responsibility

Our responsibility is to express an opinion to the Directors of Vector Limited and the Commerce Commission New Zealand on whether the Schedules, in all material respects, have been prepared in accordance with the Criteria for the period 1 July 2023 to 30 June 2024; whether Vector Limited's basis for valuation of related party transactions in the year ended 30 June 2024 has complied, in all material respects, with clause 2.3.6 of the Gas Distribution Information Disclosure Determination 2012 (amended as of 3 April 2018) and clauses 2.2.11(1)(g) and 2.2.11(5) of the related Input Methodologies; and whether as far as appears from an examination, the information used in the preparation of the Schedules for the year ended 30 June 2024 has been properly extracted from Vector Limited's accounting and other records and has been sourced, where appropriate, from Vector Limited's financial and non-financial systems.



Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (**PES 1**) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (**PES 3**), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided annual audit and half-yearly review of financial statements, regulatory assurance, pre-assurance on climate related disclosures, compliance in relation to R&D tax credits and other assurance services to Vector Limited. Subject to certain restrictions, partners and employees of our firm may also deal with Vector Limited on normal terms within the ordinary course of trading activities of the business of Vector Limited. These matters have not impaired our independence as assurance providers of Vector Limited for this engagement. The firm has no other relationship with, or interest in, Vector Limited.

A handwritten version of the KPMG logo in blue ink, appearing as if written on a white surface.

KPMG

Auckland

3 December 2024