



Independent Reasonable Assurance Report

To the Directors of Vector Limited and to the New Zealand Commerce Commission

Report on the Annual Compliance Statement dated 20 May 2016 (comprising Pricing and Quality)

We have performed an engagement to provide reasonable assurance in relation to the attached statement, which is an Annual Compliance Statement in respect of the default price-quality path prepared by Vector Limited for the period 31 March 2016 and dated 20 May 2016 for the purposes of clause 11 of the *Electricity Distribution Services Default Price-Quality Path Determination 2015* ("the Determination").

In relation to the price path set out in clause 8 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 5 to 8 and 15 to 23 of the Annual Compliance Statement.

In relation to the SAIDI and SAIFI statistics for the Reference Period and the Assessment Period ended on 31 March 2016, including the calculation of the Assessed Values, which are relevant to the quality standards set out in clause 9 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 9 to 14 of the Annual Compliance Statement.

Our assurance engagement also included assessment of the significant estimates and judgments, if any, made by Vector Limited in the preparation of the Annual Compliance Statement and assessment of whether the basis of preparation has been adequately disclosed.

Directors' Responsibilities

The Directors of Vector Limited are responsible for the preparation of the Annual Compliance Statement in accordance with the Determination and for such internal control as the Directors determine is necessary to enable the preparation of an Annual Compliance Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the Annual Compliance Statement based on our assurance engagement. We conducted our engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 *Compliance Engagements*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Compliance Statement is free from material misstatement.

An assurance engagement involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Compliance Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Compliance Statement, whether due to fraud or error. In making those risk assessments, the assurance practitioner considers internal control relevant to the entity's preparation of the Annual Compliance Statement 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 entity's internal control. An assurance engagement also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the Annual Compliance Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

Our firm has also provided other services to Vector such as the annual audit and half-yearly review of the financial statements, audit of the gas transmission and distribution price and quality statements reported to the Commerce Commission, audit of the electricity and gas transmission and distributions respective regulatory information disclosure statements reported to the Commerce Commission and advisory services in relation to the strategic review of Vector's Gas Transmission and non-Auckland Gas Distribution businesses. Partners and employees of our firm may also deal with Vector on normal terms within the ordinary course of trading activities of the business of Vector. These matters have not impaired our independence as auditors of Vector for this engagement. The firm has no other relationship with, or interest in, Vector Limited.

Conclusion

In our opinion:

- the Annual Compliance Statement of Vector Limited for the Assessment Period ended on 31 March 2016, has been prepared, in all material respects, in accordance with the Determination;
- as far as appears from an examination, the information used in the preparation of the Annual Compliance Statement of Vector Limited has been properly extracted from Vector's accounting and other records, sourced from its financial and non-financial systems.

Our assurance engagement was completed on the 20 May 2016 and our conclusion is expressed as at that date.

Restriction of distribution and use

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights other than Vector Limited and the New Zealand Commerce Commission in relation to section 11.3(b) of the Electricity Distribution Services Default Price-Quality Path Determination 2015 for any purpose or in any context. Any party other than Vector Limited and the New Zealand Commerce Commission 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, we accept or assume no responsibility and deny any liability to any party other than Vector Limited and the New Zealand Commerce Commission for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to Vector Limited and the New Zealand Commerce Commission on the basis that it shall not be copied, referred to or disclosed, in whole (except for Vector Limited's own internal purposes) or in part, without our prior written consent.



20 May 2016
Auckland