Independent Assurance Report

To the Directors of WEL Networks Limited and the Commerce Commission

Assurance report pursuant to the Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024 [2024] NZCC 31 (as amended)

We have undertaken a reasonable assurance engagement in respect of the compliance of WEL Networks Limited (the Company) with the Electricity Distribution Information Disclosure (amendments related to IM Review 2023) Amendment Determination 2024 [2024] NZCC 31 (as amended), (the Determination) for the disclosure year ended 31 March 2026 where we are required to opine on:

- whether the Company has complied, in all material respects, with the Determination, in preparing the information disclosed under schedules 1 - 4, 5a to 5h, 6a and 6b (except for information required to be disclosed in Schedule 6(b)(i) under the sub-categories of the "Service interruptions and emergencies" and "Vegetation management" categories), 7, 10 and 10a (limited to the SAIDI and SAIFI information), the related party transactions disclosed in Appendix A, and the explanatory notes in boxes 1 to 11 of schedule 14 (the Disclosure Information); and
- whether the Company's basis for valuation of related party transactions, has complied, in all material respects, with clause 2.3.6 of the Determination and clauses 2.2.11(1)(g), 2.2.11(5) and 2.2.11(6) of the Electricity Distribution Services Input Methodologies Determination 2012 (as amended) (the IM Determination).

Opinion

In our opinion, in all material respects;

- as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Disclosure Information have been kept by the Company;
- as far as appears from an examination, the information used in the preparation of the Disclosure Information has been properly extracted from the Company's accounting and other records and has been sourced, where appropriate, from the Company's financial and non-financial systems;
- the Disclosure Information complies with the Determination; and
- the basis for valuation of related party transactions complies with the Determination and the IM Determination.

Basis for Opinion

We have conducted our engagement in accordance with the Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* (SAE 3100 (Revised)), issued by the New Zealand Auditing and Assurance Standards Board. An engagement conducted in accordance with SAE (NZ) 3100 (Revised) requires that we comply with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Informatio*n.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Assurance Approach

Overview

Our assurance engagement is designed to obtain reasonable assurance about the Company's compliance, in all material respects, with the Determination and IM Determination.

Quantitative materiality levels are determined for testing purposes within individual schedules included in the Disclosure Information based on the nature of the information set out in the schedules. These thresholds are determined based on our assessment of errors that could have a material impact on key measures within the Disclosure Information:

- Financial information – any impact resulting in +/- 100 basis points of the Return of Investment (ROI)
- Performance based schedules – 5% of non-financial measures
- Related party transactions – 2% of total related party transactions.

When assessing overall material compliance with the Determination, qualitative factors are considered such as the combined impact on ROI and other key measures as well as assessing the arm's length valuation rules on related party transactions, which may impact on users assessment on whether the purpose of Part 4 of the Commerce Act 1986 has been met.

We have determined that there are four key assurance matters:

- Regulatory Asset Base
- Cost and Asset Allocation
- Related Party Transactions
- SAIDI and SAIFI Reliability Measures

Materiality

The scope of our assurance engagement was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our assurance engagement, the nature, timing and extent of our assurance procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Disclosure Information as a whole.

Scope

Our procedures included analytical procedures, evaluating the appropriateness of assumptions used and whether they have been consistently applied, agreement of the Disclosure Information to, or reconciling with, source systems and underlying records, an assessment of the significant judgements made by the Company in the preparation of the Disclosure Information and valuing the related party transactions, and evaluation of the overall adequacy of the presentation of supporting information and explanations.

These procedures have been undertaken to form an opinion as to whether the Company has complied, in all material respects, with the Determination in the preparation of the Disclosure Information for the year ended 31 March 2026, and whether the basis for valuation of related party transactions complies, in all material respects, with the Determination and the IM Determination.

Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in carrying out the assurance engagement during the current disclosure year. These matters were addressed in the context of our assurance engagement as a whole, and in forming our opinion. We do not provide a separate opinion on these matters.

Key assurance matter	How our procedures addressed the key assurance matter
Regulatory Asset Base The Regulatory Asset Base (RAB), as set out in Schedule 4, reflects the value of the Company's electricity distribution assets. These are valued using an indexed historic cost methodology prescribed by the Determination. It is a measure which is used widely and is key to measuring the Company's return on investment and therefore important when monitoring financial performance or setting electricity distribution prices. The RAB inputs, as set out in the IM Determination, are similar to those used in the measurement of fixed assets in the financial statements, however, there are a number of different requirements and complexities which require careful consideration. Due to the importance of the RAB within the regulatory regime, the incentives to overstate the RAB value, and complexities within the regulations, we have considered it to be a key area of focus.	We have obtained an understanding of the compliance requirements relevant to the RAB as set out in the Determination and the IM Determination. Our procedures over the regulatory asset base included the following: **Assets commissioned** • We considered the nature of the assets commissioned during the period, as per the regulatory fixed asset register, to identify any specific cost or asset type exclusions, as set out in the Determination, which are required to be removed from the RAB; • We reconciled the assets commissioned, as per the regulatory fixed asset register, to the asset additions disclosed in the audited annual financial statements and investigated any material reconciling items; and • We tested a sample of assets commissioned during the disclosure period for appropriate asset category classification. **Depreciation** • For assets with no standard asset lives we assessed the reasonableness of the lives used by reference to the accounting depreciation rates used in preparing the financial statements; • We have performed a reasonableness test to ensure the regulatory depreciation expense is calculated in line with IM Determination clause 2.2.5; • We have compared the system formula utilised to calculate regulatory depreciation expense with IM Determination clause 2.2.5; and • We compared the standard asset lives by asset category to those set out in the IM Determination. **Revaluation** • We recalculated the revaluation rate set out in the IM Determination using the relevant Consumer Price Index indices taken from the Statistics New Zealand website; and • We tested the mathematical accuracy of the revaluation calculation performed by management.

Cost and asset allocation The Determination relates to information concerning the supply of electricity distribution services. In addition to the regulated supply of electricity, the Company also supplies customers with other unregulated services such as contracting services. As set out in schedules 5d, 5e, 5f and 5g, costs and asset values that relate to electricity distribution services regulated under the Determination should comprise: All of the costs directly attributable to the regulated goods or services; and An allocated portion of the costs that are not directly attributable. The IM Determination set out rules and processes for allocating costs and assets which are not directly attributable to either regulated or unregulated services. A number of screening tests apply which must be considered when deciding on the appropriate allocation method. The Company has applied the Accounting-Based Allocation Approach Methodology (ABAA) utilising proxy cost and asset allocators to allocate the asset values and operating costs that are not directly attributable where causal relationships could not be identified. Given the judgement involved in the application of the cost and asset allocation methodologies we consider it a key assurance matter.	We obtained an understanding of the Company's cost and asset allocation processes and the methodologies applied. Our procedures over cost and asset allocation included: • Reconciling the regulated and unregulated financial information to the audited financial statements; **Classification as directly/not directly attributable** • Considering the appropriateness of the costs allocated as directly attributable, based on the nature and our understanding of the business to determine the reasonableness of the directly attributable classification; • Testing a sample of transactions to ensure their classification as either directly attributable or not directly attributable costs are appropriate and in line with the Determination; • Inspecting the fixed asset register to identify any asset classes which based on their nature and our understanding of the business could be considered assets directly attributable to a specific business unit; • Testing a sample of assets commissioned to ensure their classification as either directly attributable or not directly attributable are appropriate and in line with the Determination; **Appropriateness of the allocators used for not directly attributable costs and assets** • Considering the appropriateness of the cost and asset causal and proxy allocators used in applying the ABAA to not directly attributable costs including inspecting supporting documentation and recalculating proxy allocators; • Understanding why causal relationships could not be identified in allocating some costs or assets and ensuring appropriate disclosure has been included outlining these in Schedule 14; • Recalculating the split between not directly attributable costs and asset values allocated to electricity distribution services and non-electricity distribution services.
Related party transactions Disclosures over related party transactions including related party relationships, procurement policies/processes, application of these policies/processes and examples of market testing of transaction terms as required under the Determination and the IM Determination are set out in Appendix A. The Determination and the IM Determination require the Company to value its transactions with related parties, disclosed in Schedule 5b, in accordance with the principles-based approach to the arm's length valuation rule. This rule states that the value of goods or services acquired from a related party cannot be greater than if it had been acquired under the terms of an arm's length transaction with an unrelated party, nor may it exceed the actual cost to the related party. A sale or supply to a related party cannot be valued at an amount less than if it had been sold or supplied under the terms of an arm's-length transaction with an unrelated party.	We have obtained an understanding of the compliance requirements relevant to related party transactions as set out in the Determination and the IM Determination. We have ensured Schedule 5(b) and Appendix A includes all required disclosures including current procurement policies, descriptions of how they are applied in practice, representative example transactions and when and how market testing was last performed. Our procedures over the related party transactions included the following: **Completeness and accuracy of related party relationships and transactions** We have tested the completeness and accuracy of the related party relationships and transactions by: • Agreeing the disclosures within Schedule 5(b) to the audited financial statements for the year ended 31 March 2026 and to the accounting records, investigating any material differences and determining whether any such differences are justified; and • Applying our understanding of the business structure against the related party definition in IM Determination clause 1.1.4(2)(b) to assess management's identification of any "unregulated parts" of the entity.

Arm's-length valuation, as defined in the IM Determination, is the value at which a transaction, with the same terms and conditions, would be entered into between a willing seller and a willing buyer who are unrelated and who are acting independently of each other and pursuing their own best interests. The Company is required to use an objective and independent measure to demonstrate compliance with the arm's-length principle. In the absence of an active market for similar transactions, assigning an objective arm's length value to a related party transaction is difficult and requires significant judgement. We have identified related party transactions at arm's-length as a key assurance matter due to the judgement involved.	**Practical application of procurement policies** • Testing a sample of operating expenditure and capital expenditure transactions disclosed in Schedule 5(b) by inspecting supporting documentation to determine compliance with the disclosed procurement policy and practices. **Arm's length valuation rule** We obtained the Company's assessment of available independent and objective measures used in supporting the arm's length valuation principal and performed the following procedures: • Re-performed the calculations and agreed key inputs and assumptions to supporting documentation; • Where benchmarking or other market information was used as independent and objective measures, we assessed whether the related party transaction values fell within a reasonable range. Qualitative factors were considered in determining the appropriate acceptable range.
SAIDI and SAIFI Reliability Measures SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) as disclosed in Schedules 10 and 10a are non-financial network reliability measures. These are considered key measures when assessing the performance of the network against the annual targets set. Due to the nature of the unplanned interruptions there are inherent limitations in capturing complete and accurate data for all interruptions. The calculations of the disclosed information are also complex and require careful consideration. Due to the importance of the SAIDI and SAIFI measures within the Disclosure Information, inherent limitations in capturing unplanned interruption data and complexities within the regulations, we have considered the reliability measures to be a key area of focus.	We obtained an understanding of the Company's control environment and processes around capturing, recording and reviewing interruption data. Our procedures over the non-financial network reliability measures included: • Testing a sample of planned and unplanned outages from the interruptions output to supporting documentation including internally generated work orders and notifications to test the duration and cause of the interruption ensuring appropriate classification within the Information Disclosure schedules. • Recalculated a sample of the outage minutes that are calculated by the outage management system; • Assessed completeness of the interruption information by performing a media search for significant events that should result in an interruption being recorded, performing a sequential number check on the interruption information and detailed testing of call records and the GIS database; • Re-performed the calculation of the SAIDI and SAIFI worst-performing feeders (unplanned) information; and • Assessed the accuracy and completeness of the ICPs ('Installation Control Points') affected by an interruption through testing a sample of interruptions to underlying GIS database information.

Director's Responsibilities

The Directors are responsible on behalf of the Company for compliance with the Determination and the valuation of related party transactions in accordance with the Determination, for the identification of risks that may threaten such compliance, controls that would mitigate those risks, and monitoring the Company's ongoing compliance.

Our Independence and Quality Management

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

We are independent of WEL Networks Limited. In our capacity as auditor and assurance practitioner, our firm also provides review and other assurance services. The firm has no other relationship with, or interests in, WEL Networks Limited.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether the Company has complied, in all material respects, with the Determination in the preparation of the Disclosure Information for the disclosure year ended 31 March 2026 and on whether the basis for valuation of related party transactions complies, in all material respects, with the Determination and the IM Determination.

Our engagement has been conducted in accordance with ISAE (NZ) 3000 (Revised) and SAE 3100 (Revised) which require that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied in all material respects with the Determination in the preparation of the Disclosure Information for the disclosure year ended 31 March 2026, and whether the basis for valuation of related party transactions complies, in all material respects, with the Determination and the IM Determination.

An assurance engagement to report on the Company's compliance with the Determination and the IM Determination involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements of the Determination and the IM Determination. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the requirements of the Determination and the IM Determination.

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 may occur and not be detected. A reasonable assurance engagement for the disclosure year ended 31 March 2026 does not provide assurance on whether compliance with the Determination and the IM Determination will continue in the future.

Use of Report

This report has been prepared for the Directors and the Commerce Commission in accordance with clause 2.8.1.(1) of the Determination and is provided solely to assist you in establishing that compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, as a body, and the Commerce Commission, or for any purpose other than that for which it was prepared.

The engagement leader on the assurance engagement resulting in this independent auditor's report is Nicholas Horwood.

PricewaterhouseCoopers

PricewaterhouseCoopers
27 August 2026

Christchurch, New Zealand