



## Independent Assurance Report

### **To the Directors of Alpine Energy Limited and to the Commerce Commission on the disclosure information for the disclosure year ended 31 March 2019 as required by the Electricity Distribution Information Disclosure Determination 2012 (as amended on 21 December 2017)**

Alpine Energy Limited (“the Company”) is required to disclose certain information under the Electricity Distribution Information Disclosure Determination 2012 (as amended on 21 December 2017) (the Determination) and to procure an assurance report by an independent auditor in terms of section 2.8.1 of the Determination and section 2.8.6 and 2.8.7 of the Electricity Distribution Information Disclosure Determination 2012 (consolidated 6 July 2023) (the Current Determination).

The Auditor-General is the auditor of the Company.

The Auditor-General has appointed me, Elizabeth Adriana (Adri) Smit, using the staff and resources of PricewaterhouseCoopers, to undertake a reasonable assurance engagement, on his behalf, on whether the information prepared by the Company for the disclosure year ended 31 March 2019 (the Disclosure Information) complies, in all material respects, with the Determination.

The Disclosure Information that falls within the scope of the assurance engagement are:

- Schedules 1 to 4, 5a to 5g, 6a and 6b, 7, 10 and 14 (limited to the explanatory notes in boxes 1 to 11) of the Determination;
- the disclosures of errors in previously disclosed information (refer to box 15 of Schedule 14 and the Appendix B); and
- Clause 2.3.6 of the Determination and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 (the IM Determination), in respect of the basis for valuation of related party transactions (the Related Party Transaction Information).

Our opinion is split into three parts:

- Part A – Disclaimer of opinion on Schedule 5(b) and whether the Company’s basis for valuation of related party transactions (‘the Related Party Transaction Information’) for the disclosure year ended 31 March 2019, has been prepared, in all material respects, in accordance with clause 2.3.6 of the Information Disclosure Determination, and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 (‘the Input Methodologies Determination’); and
- Part B – Qualified opinion regarding record keeping, the extraction of information from the Company’s accounting and other records and the disclosure information required under the Information Disclosure Determination in schedules 1 to 4, 5a, 5c to 5g, 6a and 6b, 7, the disclosure that shows the connection between the Company and the related parties with which it has had related party transactions in the disclosure year, the disclosures about related party transactions required under clause 2.3.12 of the Information Disclosure Determination, and the explanatory notes in boxes 1 to 11 in Schedule 14.
- Part C – Sections applying to all parts of the opinion.

#### **Part A - Disclaimer of Opinion**

Due to the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate evidence to form an opinion on whether, the basis for valuation of related party transactions for the disclosure year ended 31 March 2019 complies, in all material respects, with the ID Determination and the IM Determination. We were therefore also not able to conclude on whether the Company has complied, in all material respects, with the Information Disclosure Determination in preparing Schedule 5b of the Disclosure Information. Accordingly we do not express an opinion.



### **Basis for disclaimer of opinion**

We were engaged to conduct our engagement in accordance with ISAE (NZ) 3000 (Revised),

Assurance Engagements Other than Audits or Reviews of Historical Financial Information and SAE 3100 (Revised) Compliance Engagements to obtain reasonable assurance that the Company has complied in all material respects with the Information Disclosure Determination and Input Methodologies Determination in the preparation of the Disclosure Information for the year ended 31 March 2019.

The information provided by the Company to support the arm's length valuation for certain related party expenditures could not be verified against independent objective measures. Sufficient appropriate audit evidence could therefore not be obtained to conclude on whether the basis for valuation of these related party expenditures complies, in all material respects, with the ID Determination and IM Determination. We were therefore also not able to conclude on whether the Company has complied, in all material respects, with the Information Disclosure Determination in preparing Schedule 5b of the Disclosure Information. Accordingly we do not express an opinion.

### **Directors' responsibilities**

The Directors of the Company are responsible in accordance with the Determination for the preparation of the Disclosure Information and the Related Party Transaction Information.

In accordance with clauses 2.9.3 and 2.9.4 of the Current Determination, the Directors of the Company are responsible for ensuring the disclosed error has been corrected and subsequently correctly reflected in the revised Disclosure Information, including the indirectly affected data and statements within the Disclosure Information.

The Directors of the Company are also responsible for the identification of risks that may threaten compliance with the schedules and clauses identified above and controls which will mitigate those risks and monitor ongoing compliance.

### **Our responsibilities**

Because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for a reasonable assurance opinion on the Company's compliance with clause 2.3.6 of the Information Disclosure Determination and clauses 2.2.11(1)(g) and 2.2.11(5) of the Input Methodologies or whether the Company has complied, in all material respects, with the Information Disclosure Determination in preparing Schedule 5b of the Disclosure Information.

### **Part B - Qualified Opinion**

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, in all material respects:

- as far as appears from an examination, proper records to enable the complete and accurate compilation of the Disclosure Information, apart from Schedule 5b, 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, sourced from the Company's financial and non-financial systems; and
- With the exception of Schedule 5b, the Disclosure Information complies, in all material respects, with the Determination.



**Basis for Qualified opinion**

As explained under Part A of our report, the information provided by the Company to support the arm’s length valuation for certain related party expenditures could not be verified against independent objective measures. Sufficient appropriate audit evidence could therefore not be obtained to conclude on whether the basis for valuation of these related party expenditures complies, in all material respects, with the Information Disclosure Determination and Input Methodologies Determination. Consequently, we were unable to determine whether any related party value adjustments to the capital expenditure and operational expenditure disclosed within Schedules 1, 2, 3, 4, 5b, 6a, 6b, and 14 would be necessary to ensure compliance of these schedules with the Information Disclosure Determination and Input Methodologies Determination.

**Emphasis of Matter - Amendment to previously disclosed information**

As described in Box 15 of Schedule 14, in preparing the 2023 Disclosure Information, the Company identified material errors in the previously disclosed Disclosure Information. In line with clause 2.12.1 of the Electricity Distribution Information Disclosure Determination 2012 (consolidated 6 July 2023) (the Current Determination), the Company has restated the 2019 Disclosure Information to correct the material prior period error including revising the indirectly affected data and statements.

Without further modifying our opinion, we draw attention to:

- the fact that this assurance report replaces the assurance report dated 3 September 2019; and
- Box 15 of Schedule 14 and Appendix B: *Impact of restatements* which outlines the errors identified and how the correction of these errors impacts the 2019 Disclosure Information.

**Key Assurance Matters**

Key assurance matters are those matters that, in our professional judgement, required significant attention when carrying out the assurance engagement during the current disclosure year. These matters were addressed in the context of our compliance engagement, 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
<p><b>Regulatory asset base</b>            The Regulatory Asset Base (RAB), as set out in Schedule 4, reflects the value of Alpine Energy Limited’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 Alpine Energy Limited’s return on investment and therefore important when monitoring financial performance or setting electricity distribution prices.</p> <p>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.</p> <p>As described in Box 14 of Schedule 14, in preparing the 2023 Disclosure Information, the Company identified</p>	<p>We have obtained an understanding of the compliance requirements relevant to the RAB as set out in the Determination and the IM Determination.</p> <p>Our procedures over the regulatory asset base included the following:</p> <p><b>Opening balance restatement</b></p> <p>We obtained the updated RAB roll-forward spreadsheets including the updated depreciation and revaluation calculations from 2014 onwards and performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We agreed the opening balance to the 2013 audited Disclosure Information;</li> <li>• We reperformed the depreciation calculation applying the relevant requirements for each regulatory period;</li> <li>• We reperformed the revaluation adjustments calculations for each of the regulatory periods using the corrected opening balances;</li> <li>• We recalculated the remaining and total useful lives using the corrected data; and</li> </ul>

Key Assurance Matter	How our procedures addressed the key assurance matter
<p>material errors within the RAB in relation to errors in the historic depreciation calculation from 2014 onwards which resulted in some older assets continuing to depreciate after the remaining useful life reached nil. This also indirectly impacts on future depreciation and the annual revaluation adjustment.</p> <p>In line with clause 2.12.1 of the Electricity Distribution Information Disclosure Determination 2012 (consolidated 6 July 2023) (the Current Determination), the Company has restated the 2019 Disclosure Information to correct the material prior period error including revising the indirectly affected data and statements.</p>	<ul style="list-style-type: none"> <li>● We recalculated the restated 2019 opening balances using the corrected RAB information from 2014 onwards.</li> </ul> <p><b>Assets commissioned</b></p> <ul style="list-style-type: none"> <li>● We inspected 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;</li> <li>● 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</li> <li>● We tested a sample of assets commissioned during the disclosure period for appropriate asset category classification.</li> </ul> <p><b>Depreciation</b></p> <ul style="list-style-type: none"> <li>● We compared the spreadsheet formula utilised by the Company to calculate regulatory depreciation expense with IM Determination clause 2.2.5;</li> <li>● We compared the standard asset lives by asset category to those set out in the IM Determination; and</li> <li>● We reperformed the regulatory depreciation to ensure it is calculated in line with the IM Determination clause 2.2.5.</li> </ul> <p><b>Revaluation</b></p> <ul style="list-style-type: none"> <li>● 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</li> <li>● We tested the mathematical accuracy of the revaluation calculation performed by management.</li> </ul> <p><b>Disposals</b></p> <ul style="list-style-type: none"> <li>● We reconciled the disposals, as per the regulatory fixed asset register, to the asset disposals disclosed in the audited annual financial statements and investigated any material reconciling items; and</li> <li>● We inspected the asset disposals within the accounting fixed asset register to ensure disposals in the RAB meet the definition of a disposal per the IMs;</li> </ul>



Key Assurance Matter	How our procedures addressed the key assurance matter
<p><b>Cost and Asset Allocation</b>            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 metering services.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• All of the costs directly attributable to the regulated goods or services; and</li> <li>• An allocated portion of the costs that are not directly attributable.</li> </ul> <p>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.</p> <p>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.</p> <p>Given the judgement involved in the application of the cost and asset allocation methodologies we consider it a key assurance matter.</p>	<p><b>Prior period restatement disclosure</b></p> <ul style="list-style-type: none"> <li>• We considered the appropriateness of the prior period restatement disclosure in Box 14 in Schedule 14 and Appendix B: <i>Impact of restatements</i> against the requirements of clause 2.12.1 of the Current Determination.</li> </ul> <p>We obtained an understanding of the company's cost and asset allocation processes and the methodologies applied.</p> <p>Our procedures over cost and asset allocation included:</p> <ul style="list-style-type: none"> <li>• Reconciling the regulated and unregulated financial information to the audited financial information.</li> </ul> <p><b>Classification as directly/not directly attributable</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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 by inspecting the related invoice.</li> </ul> <p><b>Appropriateness of the allocators used for not directly attributable costs and assets</b></p> <ul style="list-style-type: none"> <li>• Considering the appropriateness of the cost and asset proxy allocators used in applying the ABAA to not directly attributable costs including understanding the rationale for the change in proxy allocators in the current year, inspecting supporting documentation and recalculating proxy allocators.</li> <li>• Understanding why causal relationships could not be identified in allocating costs or assets and ensuring appropriate disclosure has been included outlining these in Schedule 14.</li> <li>• Recalculating the split between not directly attributable costs and asset values allocated to electricity distribution services and non-electricity distribution services.</li> </ul>



### **Directors' responsibilities**

The Directors of the Company are responsible in accordance with the Determination for the preparation of the Disclosure Information and the Related Party Transaction Information.

In accordance with clauses 2.9.3 and 2.9.4 of the Current Determination, the Directors of the Company are responsible for ensuring the disclosed error has been corrected and subsequently correctly reflected in the revised Disclosure Information, including the indirectly affected data and statements within the Disclosure Information.

The Directors of the Company are also responsible for the identification of risks that may threaten compliance with the schedules and clauses identified above and controls which will mitigate those risks and monitor ongoing compliance.

### **Auditor's responsibilities**

Our responsibilities in terms of clauses 2.8.1(1)(b)(vi) and (vii), 2.8.1(1)(c) and 2.8.1(1)(d) of the Determination are to express an opinion on whether:

- as far as appears from an examination, the information used in the preparation of the audited Disclosure Information has been properly extracted from the Company's accounting and other records, sourced from its financial and non-financial systems;
- as far as appears from an examination, proper records to enable the complete and accurate compilation of the audited Disclosure Information required by the Determination have been kept by the Company and, if not, the records not so kept;
- the Company complied, in all material respects, with the Determination in preparing the audited Disclosure Information; and
- the Company's basis for valuation of related party transactions in the disclosure year has complied, in all material respects, with clause 2.3.6 of the Determination and clauses 2.2.11(1)(g) and 2.2.11(5) of the IM Determination.

Our responsibilities in terms of clauses 2.8.6 and 2.8.7 of the Current Determination are to:

- reissue an assurance report on the Disclosure Information disclosed under clause 2.12.1 of the Current Determination to the standard of the assurance requirements under the Determination; and
- in reissuing the assurance report, consider whether the disclosed error has been corrected and subsequently correctly reflected in the revised indirectly affected data and statements within the Disclosure Information.

To meet these responsibilities, we planned and performed procedures in accordance with SAE 3100 (Revised), to obtain reasonable assurance about whether the Company has complied, in all material respects, with the Disclosure Information (which includes the Related Party Transaction Information) required to be audited by the Determination.

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

### **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 the Determination may occur and not be detected. A reasonable assurance engagement throughout the disclosure year does not provide assurance on whether compliance with the Determination will continue in the future.





## Part C - Sections applying to all parts of this report

### Restricted use

This report has been prepared for use by the Directors of the Company and the Commerce Commission in accordance with clause 2.8.1(1)(a) of the Determination and is provided solely for the purpose of establishing whether the compliance requirements have been met. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Directors of the Company and the Commerce Commission, or for any other purpose than that for which it was prepared.

### Independence and quality control

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 31 March 2022 and subsequently, a Director of the Company is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards in place to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over audits and assurance engagements provided to the Company.

The Auditor-General, and his employees, and PricewaterhouseCoopers and its partners and employees may deal with the Company on normal terms within the ordinary course of trading activities of the Company. Other than any dealings on normal terms within the ordinary course of trading activities of the Company, assurance services performed within our role as auditor for the Company on the annual financial statements and performance information and regulatory compliance engagements under the requirements of the Commerce Act 1986, regulatory advisory services, and provision of a benchmark publication, we have no relationship with, or interests in, the Company.

A handwritten signature in black ink, appearing to read 'Adri Smit', is written over a large, stylized signature graphic consisting of several overlapping loops and lines.

Elizabeth Adriana (Adri) Smit  
PricewaterhouseCoopers  
On behalf of the Auditor-General  
Christchurch, New Zealand  
30 November 2023