

Independent Assurance Report

To the directors of GasNet Limited and the Commerce Commission

The Auditor-General is the auditor of GasNet Limited (the company). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to provide an opinion, on his behalf, on:

- whether the information ('the Disclosure Information') required to be disclosed in accordance with the Gas Distribution Information Disclosure Determination 2012 ('the Information Disclosure Determination') for the disclosure year ended 30 June 2020, has been prepared, in all material respects, in accordance with the Information Disclosure Determination.

The Disclosure Information required to be reported by the company, and audited by the Auditor-General, under the Information Disclosure Determination is in schedules 1 to 4, 5a to 5g, 6a and 6b, 7, the system average interruption duration index ('SAIDI') and system average interruption frequency index ('SAIFI') information disclosed in Schedule 10a(ii), the disclosure that shows the connection between the Gas Distribution Business (GDB) and the related parties with which it has had related party transactions in the disclosure year, and the explanatory notes in boxes 1 to 11 in Schedule 14.

- whether the company's basis for valuation of related party transactions ('the Related Party Transaction Information') for the disclosure year ended 30 June 2020, 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 Gas Distribution Services Input Methodologies Determination 2012 ('the Input Methodologies Determination').

Opinion

In our opinion:

- 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, in all material respects, with the Information Disclosure Determination; and
- the Related Party Transaction Information complies, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination.

In forming our opinion, we have obtained sufficient recorded evidence and all the information and explanations we have required.

Basis for opinion

We conducted our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the Standard on Assurance Engagements 3100 (Revised): *Assurance Engagements on Compliance* issued by the New Zealand Auditing and Assurance Standards Board. Copies of these standards are available on the External Reporting Board's website.

These standards require that we comply with ethical requirements and plan and perform our assurance engagement to provide reasonable assurance about whether the Disclosure Information has been prepared, in all material respects, with the Information Disclosure Determination, and about whether the Related Party Transaction Information has been prepared, in all material respects, with the Information Disclosure Determination and the Input Methodologies Determination. Reasonable assurance is a high level of assurance.

We have performed procedures to obtain evidence about the amounts and disclosures in the Disclosure Information, and the basis of valuation in the Related Party Transaction Information. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Disclosure Information and the Related Party Transaction Information, whether due to fraud, error or non-compliance with the Information Disclosure Determination or the Input Methodologies Determination. In making those risk assessments, we considered internal control relevant to the company's preparation of the Disclosure Information and the Related Party Transaction Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Scope and inherent limitations

Because of the inherent limitations of a reasonable assurance engagement, and the test basis of the procedures performed, it is possible that fraud, error or non-compliance may occur and not be detected.

We did not examine every transaction, adjustment or event underlying the Disclosure Information or the Related Party Transaction Information, nor do we guarantee complete accuracy of the Disclosure Information or the Related Party Transaction Information. Also we did not evaluate the security and controls over the electronic publication of the Disclosure Information or the Related Party Transaction Information.

The opinion expressed in this independent assurance report has been formed on the above basis.

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 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>Accuracy of the number and duration of gas outages</p> <p>The company has systems to identify outages and to record the duration of outages. This outage information is used to compile the company's Report on Network Reliability and Interruptions in Schedule 10a(ii). If this information is inaccurate then the measures of the reliability of the network could be materially misstated.</p> <p>This is a key assurance matter because information on the frequency and duration of outages is an important measure of the reliability of gas supply. Relatively small inaccuracies can have a significant impact on the reliability thresholds against which company performance is assessed. There can also be significant consequences if the company breaches the reliability thresholds.</p>	<p>We have obtained an understanding of the company's methods by which gas outages and their duration are recorded. This included a review of the company's definition of planned and unplanned interruptions.</p> <p>Our procedures to assess the adequacy of the company's methods to identify and record gas outages and their duration included:</p> <ul style="list-style-type: none"> • reviewing and testing the overall control environment; • performing an assessment of the reliability of the manual processes to record the details of interruptions to supply; • obtaining internal and external information, of interruptions to supply, including works requests for gas to be shut off, media reports, and confirmation from Fire and Emergency New Zealand of Whanganui area Gas Incidents Reports, to gain assurance that all interruptions to supply were recorded; • testing a sample of interruptions to supply, to source records to conclude on their accuracy of calculation, the appropriateness of the categorisation of the cause of the interruption and whether it was planned or unplanned; • checking the SAIDI and SAIFI ratios were correctly calculated in accordance with the Information Disclosure Determination and the Input Methodologies Determination; • obtaining and corroborating explanations for all significant variances to forecast; and • testing the accuracy of the number of connections to the Gas Authority's register. <p>Having carried out these procedures, and in assessing the likelihood of reported gas outages and their duration being materially misstated in the Disclosure Information, we have no matters to report.</p>

Directors' responsibility for the preparation of the Disclosure Information and Related Party Transaction Information

The directors of the company are responsible for:

- the preparation of the Disclosure Information in accordance with the Information Disclosure Determination; and
- the Related Party Transaction Information in accordance with the Information Disclosure Determination and the Input Methodologies Determination.

The directors are responsible for such internal control as the directors determine is necessary to enable the preparation of the Disclosure Information and the Related Party Transaction Information that are free from material misstatement.

Our responsibility for the audit of the Disclosure Information and the Related Party Transaction Information

Our responsibility is to express an opinion that provides reasonable assurance on whether:

- the Disclosure Information has been prepared, in all material respects, in accordance with the Information Disclosure Determination; and
- the Related Party Transaction Information has been prepared, in all material respects, in accordance with the Information Disclosure Determination and the Input Methodologies Determination.

Independence and quality control

When carrying out the engagement, 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: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board;
- the independence requirements specified in the Information Disclosure Determination; and
- the Auditor-General's quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board.

The Auditor-General, and his employees, and Audit New Zealand and its 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 business, this engagement, the default price path assurance engagement, and the annual audit of the company's financial statements, we have no relationship with or interests in the company.

Use of this report

This independent assurance report has been prepared solely for the directors of the company and for the Commerce Commission for the purpose of providing those parties with reasonable assurance about whether the Disclosure Information has been prepared, in all material respects, in accordance with the Information Disclosure Determination and whether the Related Party Transaction Information has been prepared, in all material respects, in accordance with the Information Disclosure Determination and the Input Methodologies Determination. We disclaim any assumption of responsibility for any reliance on this report to any person other than the directors of the company or the Commerce Commission, or for any other purpose than that for which it was prepared.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand
5 May 2021