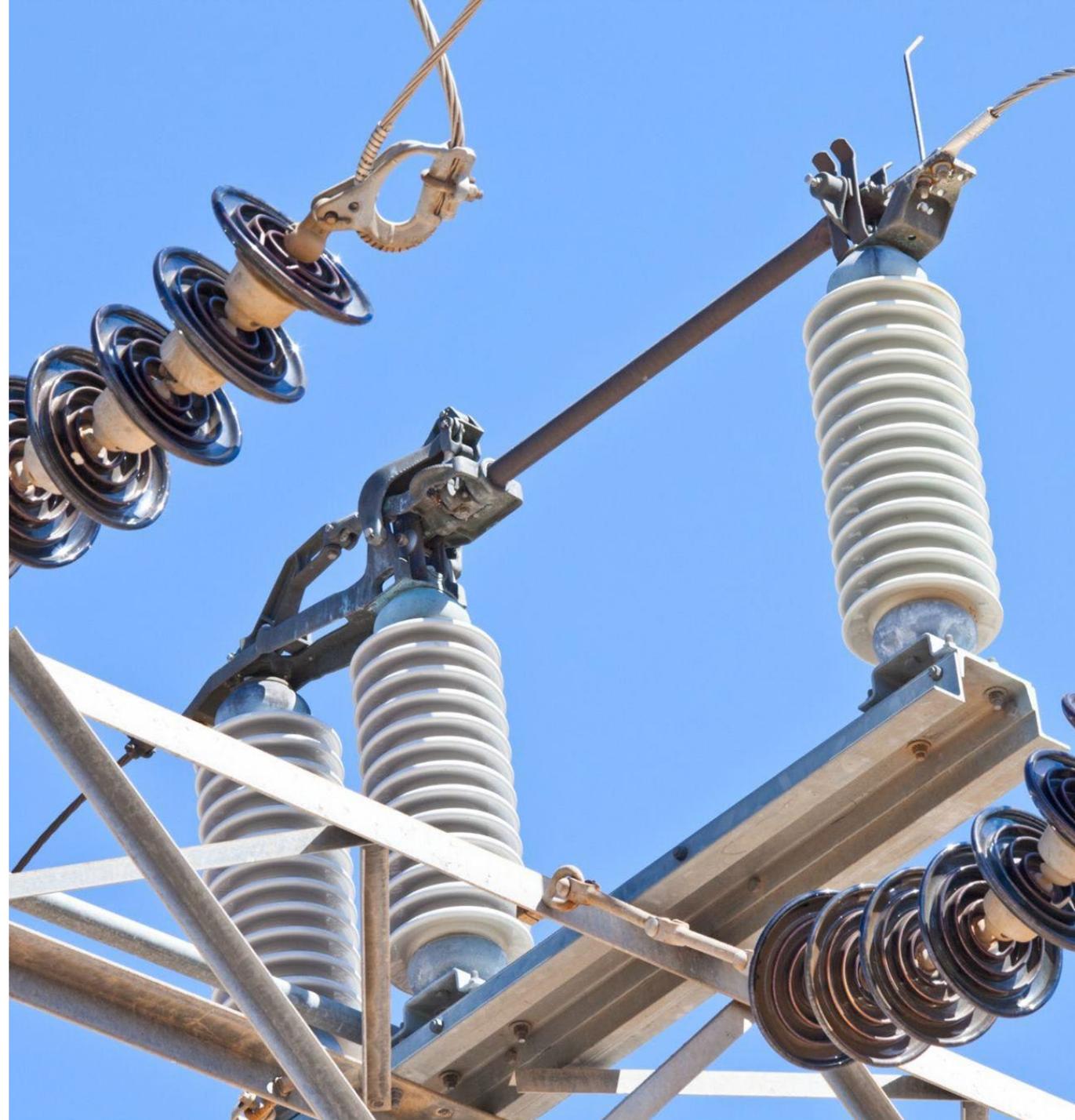


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Ausgrid Group Audit Committee Report

Audit and review of the historical information for the Ausgrid Group's 2024-29 Reset Regulatory Information Notice (Reset RIN)

December 2022





The Audit Committee of the Ausgrid Group
24-28 Campbell St,
SYDNEY, NSW 2000

15 December 2022

Dear Committee Members

Report to the Audit Committee for the audit and review of the historical information for the Ausgrid Group's 2024-29 Reset Regulatory Information Notice (Reset RIN)

We are pleased to present you with our report for the historical information presented in the Ausgrid Group's 2024-29 Reset RIN. The report has been prepared to communicate the matters that came to our attention while performing the Reset RIN audit and review procedures and the manner in which they were resolved.

Management has approved the Reset RINs and notes without amendment, and have signed the statutory declaration. We have also signed unmodified audit and review opinions on the Reset RIN submission of Ausgrid Group.

This report is intended solely for the use of the Audit Committee and senior management for the purpose stated above, and may not be used for any other purpose or disclosed to anyone else without our prior written consent.

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Throughout our procedures, we have continued to receive the full support and cooperation from management from both the finance and regulatory areas, and we would like to take the opportunity to thank Michael, Jacob, Rob and their respective teams for their continued assistance during the process.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Craig Thomason', written over a light blue horizontal line.

Craig Thomason
Engagement Partner

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1. Reporting requirements

Background

Australian Energy Regulator (AER) issued a Reset Regulatory Information Notice (Reset RIN) on 26 October 2022 under Part 3, Division 4 of the National Electricity (New South Wales) Law (NEL). The AER requires detailed information relating to Ausgrid and its regulated electricity network services as requested in the Reset RIN to make the distribution determination for Ausgrid for the forthcoming regulatory control period commencing on 1 July 2024 and ending on 30 June 2029.

Ausgrid is required to submit the information requested for the Reset RIN to the Australian Energy Regulator (AER) by 31 January 2023. An audit or review is required for all historical information collected in the regulatory templates requested by the AER.

The historical information in the 2024-29 Reset RIN submission for comprises of the following templates:

1. DNSP 2024-2029 – Reset RIN – Workbook 2 - Historical data (Workbook 2 –Historical). This includes the following templates:

- 4.2(b) - Metering - Capex for for 2018 - 2022
- 4.2(b) - Metering - ICT for 2018 - 2022
- 7.4 - Shared Assets Historical for 2015 - 2022

2. DNSP 2006-2022 – Reset RIN – Workbook 7 - Recast economic benchmarking historical (Workbook 7 – Recast economic benchmarking). This includes the following template:

- 3.2.2 - Opex Consistency (Recast) for 2020 - 2022

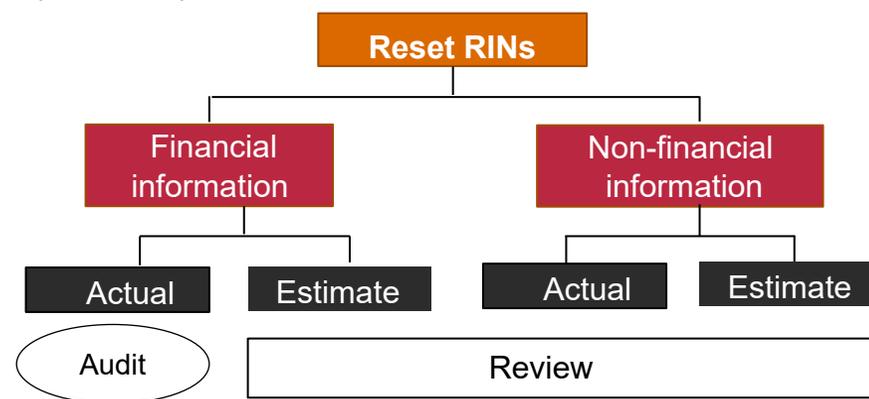
Our audit and review opinions are provided in relation to the historical information requested by the AER only. The forecast information reported in the Reset RIN submission have not been audited or reviewed as part of our work performed.

1.1 Workbook 2 – Historical data

The templates requested in Workbook 2 includes historical information on metering capex and shared assets. The information is derived from underlying financial and operational systems with additional calculations and regulatory adjustments applied to certain elements of information. These templates are comprised of actual financial information and non-financial information.

1.2 Workbook 7 – Recast economic benchmarking historical

In 2022, Ausgrid updated its cost allocation methodology (CAM). In line with AER instructions, Ausgrid has provided recast historical information for Template 3.2.2 Opex Consistency, which reports the operating expenditure for the period of 2020-22 using the updated CAM. This template is comprised of actual financial information.



2. Reporting matters

We have completed our audit and review procedures and we anticipate signing unmodified audit and review opinions on the historical information presented in the Ausgrid Group's 2024-29 Reset RIN.

During our audit/review, we considered Ausgrid's internal control processes and procedures involving the preparation of the historical information presented in the Ausgrid Group's 2024-29 Reset RIN. No significant control weaknesses were identified.

Observations

In summary, the process of preparing, collating and reviewing the Reset RIN schedules have been similar our approach for the Annual RIN. The template preparers in the Ausgrid team have been taking advantage of the enhanced functionality and stability of Rosetta leading to higher quality RIN schedules.

Summarised below are our key observations during the Reset RIN audit.

Workbook 2 – Historical data

4.2(b) - Metering - Capex for for 2018 - 2022 discloses the capex spent on meters and the volumes of meters in various categories in the regulated business from FY18 to FY22. Since the establishment of PLUS ES in 2017-18, new meters are no longer added to the regulated business. This template comprises of actual financial information and non-financial information.

4.2(b) - Metering - ICT for 2018 - 2022 discloses the indirect capex spent on the metering business in the Ausgrid regulated business from FY18 to FY22. This template comprises of actual financial information.

7.4 - Shared Assets Historical for 2015 - 2022 reports the historical unregulated revenue earned on the lease of shared regulated assets to third parties from FY15 to FY22. This template comprises of actual financial information.

Workbook 7 – Recast economic benchmarking historical

3.2.2 - Opex Consistency (Recast) for 2020 - 2022 reports the Standard Control Services (SCS) operating expenditure and the Alternative Control Services (ASC) operating expenditure reported under Ausgrid's new CAM. The CAM determines the way that shared costs (i.e. overheads) are allocated between different opex categories. The new CAM has resulted in a cumulative \$2.5m increase in total opex (SCS and ACS) reported across FY20 to FY22. This template comprises of actual financial information.



Appendices

Appendix A – Reset RIN Audit Report

Appendix B – Reset RIN ASAE 3000 Limited Assurance Opinion



Reset Regulatory Information Notice Assurance Opinion – Actual Historical Information

Independent auditor's report

To the Partners of Ausgrid Operator Partnership

Our opinion

In our opinion the actual historical financial information included in the accompanying 2024-29 Reset Regulatory Information Notices (Reset RINs) for the years ended 30 June 2015 to 30 June 2022 and the accompanying Regulatory Information Notices resubmission of Ausgrid Operator Partnership (the "Partnership") is prepared in all material respects in accordance with the Regulatory Information Notice ("RIN") Division 4 of Part 3 of the National Electricity (New South Wales) Law, issued by the Australian Energy Regulator.

This information comprises:

- The actual historical financial information as outlined in the Basis of Preparation in the Reset RINs;
- The actual historical information in the accompanying Reset RIN reports for the years 30 June 2015 to 30 June 2022.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Reset RINs* section of our report.

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

Independence

We are independent of the Partnership in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter: basis of preparation and restriction on distribution and use

The Reset RINs have been prepared to assist the Partnership in satisfying the requirements of the Ausgrid 2024-29 Reset RIN, dated 26 October 2022 as issued by Australian Energy Regulator. As a result, the Reset RIN report may not be suitable for another purpose. Our report is intended solely for the Partnership and the Australian Energy Regulator and should not be distributed or used by parties other than the Partnership and the Australian Energy Regulator. Our opinion is not modified in respect of this matter.

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Responsibilities of management for the Reset RINs

Management is responsible for the preparation and fair presentation of the Reset RINs in accordance with the Reset RINs dated 26 October 2022 as issued by the AER. This includes determining the basis of preparation as described in the Reset RINs is appropriate in the circumstances. Management is also responsible for such internal controls as they determine are necessary to enable the preparation of the Reset RINs that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the Reset RINs

Our objectives are to obtain reasonable assurance about whether the reset RINs as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Reset RINs.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Matters relating to the electronic presentation of the Reset RINs

This auditor's report relates to the Reset RINs included on a website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the Reset RINs named above. It does not provide a conclusion on any other information which may have been hyperlinked to/from the Reset RINs. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited Reset RINs to confirm the information included in the audited Reset RINs presented on this website.

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PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Craig Thomason', written over a light blue horizontal line.

Craig Thomason
Partner

Sydney
15 December 2022



Reset Regulatory Information Notice ASAE 3000 Limited Assurance Opinion – Non Financial Information

Independent assurance report on the AER Reset Regulatory Information Notices of Ausgrid Operator Partnership to the Partners of Ausgrid Operator Partnership

Scope

In accordance with the terms of our engagement letter dated 22 November 2022, we were engaged by Ausgrid Operator Partnership (the “Partnership”) to perform an independent limited assurance engagement in respect of AER Reset Regulatory Information Notices report as required by the Ausgrid 2024-29 Reset Regulatory Information Notice (“Reset RIN”) dated 26 October 2022 issued by the Australian Energy Regulator (“AER”) for the Partnership for historical information in the years ended 30 June 2018 to 30 June 2022 (the “Period”). This comprises:

- The non-financial information as outlined in the Basis of Preparation in the Reset RIN report; and
- The accompanying Basis of Preparation.

The Reset RINs have been prepared to satisfy the requirements of the Reset RIN dated 26 October 2022 by the AER.

We have assessed the Reset RIN report against the Basis of Preparation accompanying the Reset RIN. As requested by you, we vouched information to the underlying data sources as detailed in the Basis of Preparation. However, it was impracticable to observe or physically count the items recorded in the Partnership’s historical data sources.

Management’s responsibilities

Management is responsible for the Reset RINs and for the preparation of the Reset RINs in accordance with the Annual Reporting Regulatory Information Notice dated 26 October 2022 as issued by the AER.

Our Independence and Quality control

We have complied with relevant ethical requirements related to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* the firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. That standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Reset RINs has not been prepared, in all material respects, in accordance with the Reset RIN dated 26 October 2022 as issued by the AER for the years ended 30 June 2018 to 30 June 2022.

The procedures we performed were based on our professional judgement and included:

- analytical procedures
- sample testing of selected information to data sources
- re-performance of calculations
- enquiry procedures over key processes and controls in calculating and reporting on the Reset RINs

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

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

Inherent limitations

Because of the inherent limitations of any internal control framework and the underlying non-financial data, it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance of the Reset RINs with the Basis of Preparation, as it is limited primarily to making enquiries, primarily of the Partnership's management, and applying analytical procedures. The limited assurance conclusion expressed in this report has been formed on the above basis.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Reset RINs of the Partnership for the year ended 30 June 2018 to 30 June 2022 has not been prepared, in all material respects, in accordance with the Reset RIN dated 26 October 2022 as issued by the AER.

Basic of preparation and restriction on distribution and use

The Reset RINs have been prepared by management for the AER for the purpose of fulfilling the requirements of the reset Regulatory Information Notice dated 26 October 2022 as issued by the AER. As a result, the Reset RINs may not be suitable for another purpose. Our report is intended solely for



the Partnership and the AER and should not be distributed to other parties other than the Partnership and the AER. Our conclusion is not modified in respect of this matter.

Matters relating to the electronic presentation of the Reset RINs

The auditor's review report relates to the Reset RINs for the years ended 30 June 2018 to 30 June 2022, which may be included on a website. We have not engaged to report on the integrity of a website. The auditor's report refers only to the Reset RINs named above. It does not provide a conclusion on any other information which may have been hyperlinked to/from the Reset RINs. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed Reset RINs to confirm the information included in the reviewed Reset RINs presented on a website.

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A handwritten signature in black ink, appearing to read 'Craig Thomason', with a stylized flourish at the end.

Craig Thomason
Partner

Sydney
15 December 2022

Thank you

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