Independent Auditor’s Report to Essential Energy

We have audited the following information within the data template entitled ‘Essential Energy Reset RIN 2014 Actual Information.xlsx’ (“Actual Financial Information”) attached at Appendix A:

► The financial information within table 7.5.1; and
► The financial totals within tables 2.1.1, 2.1.2, 2.1.3, 2.1.4, 2.1.5, 2.1.6, 2.2.1, 2.3.2, 2.3.3, 2.3.4, 2.4.6, 2.6.1, 2.7.2, 2.8.2, 2.9.1, 2.10.1, 2.10.2, 2.11.1, 2.12, 2.13.1, and 2.13.2.

This information has been prepared in accordance with Essential Energy's Basis of Preparation (the “Basis of Preparation”) in response to the Category Analysis Regulatory Information Notice (“the Notice”) issued by the Australian Energy Regulator (“AER”), for the regulatory years 2008/09 to 2012/13 inclusive.

The AER requires the Actual Financial Information and the accompanying Basis of Preparation for the performance of a function conferred on it under the National Electricity (New South Wales) Law, namely conducting various benchmarking exercises as outlined in the Regulatory Information Notice issued to Essential Energy on 7 March 2014.

Management’s Responsibility for the Data Template and Basis of Preparation

Management is responsible for the preparation and fair presentation of the Actual Financial Information in accordance with the requirements of the Notice and Essential Energy’s Basis of Preparation, and for such internal controls as management determines are necessary to enable the preparation of the Actual Financial Information that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Actual Financial Information based on our audit. We conducted our audit in accordance with ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement. ASA 805 requires that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Actual Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Actual Financial Information. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Actual Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation of the Actual Financial Information 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 controls.

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

Basis for Qualified Opinion due to Inherent Scope Limitation

Actual Financial Information for the regulatory years 2008/09 to 2012/13 inclusive has been prepared using Essential Energy’s annual Regulatory Accounting Statements, as stated in Essential Energy’s Basis of Preparation. Our procedures included placing reliance on audit work previously performed by Forsyths Chartered Accountants (“Forsyths”) on the underlying financial data in the Regulatory Accounting Statements.
For the 2008/09 and 2009/10 regulatory years, Forsyths were engaged under a scope agreed with the previous regulator (the Independent Pricing and Regulatory Tribunal ("IPART")), which required only a review level of assurance to be obtained on Essential Energy's Regulatory Accounting Statements.

A review is substantially less in scope than an audit and consequently does not provide assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, whilst we have been able to use the reviewed information in the Regulatory Accounting Statements for the 2008/09 and 2009/10 regulatory years and perform other analytical procedures on the information, we have been unable to determine whether any adjustments to the underlying data are necessary that may have been identified had a full audit been undertaken in 2008/09 and 2009/10.

For the remaining regulatory years, the AER has required a higher level of assurance to be provided over the Regulatory Accounting Statements. Forsyths were therefore engaged to provide an audit opinion over the financial data in the Regulatory Accounting Statements for the 2010/11, 2011/12 and 2012/13 regulatory years.

Qualified Opinion due to Inherent Scope Limitation

In our opinion, except for the possible effects of the matter described in the preceding paragraph on the 2008/09 and 2009/10 regulatory years, the Actual Financial Information is presented fairly, in all material respects, in accordance with the requirements of the Notice and Essential Energy's Basis of Preparation.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Section 1 of the Basis of Preparation, which describes the general approach to collecting and preparing information. The Actual Financial Information is prepared to assist Essential Energy to meet the requirements of the Notice. As a result, the Actual Financial Information may not be suitable for another purpose. Our report is intended solely for Essential Energy and the AER and should not be distributed to any other parties.

Ernst & Young

Sydney
30 May 2014