

23 February 2026

Westpower
146 Tainui Street
Greymouth 7805

Attention: Jon Bright

SUMMARY OF THE VALUATION PROCESS - CONCESSION FEE DETERMINATION FOR PROPOSED WAITAHA HYDRO SCHEME

This summary is provided to assist Westpower and the panel by providing an overview of the approach I took in assessing 'market value' for the long-term concession fee for the Waitaha project, and (given the timeframes) to provide an overview of my response to the valuation commissioned by Department of Conservation.

1.0 VALUATION PROCESS TO DATE

My instructions were to determine the annual Concession Fee, representing the market rent/ royalty to be paid to the Department of Conservation (DOC) as compensation, for occupation of Stewardship Land within Conservation Estate. This relates to Areas 1 and 2 and the proposed tunnels, as part of the proposed Waitaha "run of the river" hydro scheme.

DOC has proposed that the Concession Fee be set after obtaining the advice of a registered valuer. The valuer is to determine the market value of the Concession Activity carried out on the Land having regard to the matters in Section 17Y of the Conservation Act 1987. The valuers for the respective parties, were:

- John Dunckley, Colliers for DOC
- Mike Penrose, CBRE Limited for Westpower

My involvement is summarised:

- Site inspection 9 December 2025
- Preliminary Advisory report issued 18 December 2025
- Valuation Certificate issued 20 January 2026
- Full Valuation issued 5 February 2026
- Valuation Exchange by valuers 10 February 2026
- List of differences prepared by each valuer and exchanged 12 February 2026
- Teams meeting reviewing valuation differences 17 February 2026
- Follow up with John Dunckley, providing and requesting additional supporting information
- Revised detail provided by J Dunckley for Lake Rochfort and Amethyst concessions

2.0 VALUATION CONCLUSION – M PENROSE FOR WESTPOWER

As the basis for my assessment, I researched and analysed revenue-based rent/ royalty evidence associated with a range of specialised land uses, including:

- Hydro scheme - energy
- Wind Farms - energy

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- Solar Farms – energy
 - Holiday Park ground leases – revenue-based rents for bare land in prime locations
 - Other Permits and Concessions – alternative tourism-revenue based comparisons

Adjustments were made to the data for location features, construction risk (combination of capital cost, scale, potential construction delays, cost inflation and, engineering complexity), the degree of specialisation, environmental risk and to reflect the unique nature of the public conservation land.

One key distinguishing factor is that, for large scale, high risk and specialised energy projects, it follows that prudent parties would agree lower revenue-based concession fees than apply for less specialised and less complicated, smaller scale developments.

My research and analysis of a range of market evidence supported a Concession Fee based on:

Concession Fee [REDACTED] of gross annual revenue, net GST.

3.0 VALUER'S JOINT DELIBERATIONS AND MEETING

As noted, the two valuers worked through a process to discuss their respective valuations. While it is for DOC to provide their valuation, to assist the panel and noting the timeframes, I set out below the process that I followed and my comments on Mr Dunckley's valuation. With the consent of DOC and Westpower, the valuers exchanged reports and each then provided a summary of key differences, as the preliminary steps before meeting over "Teams".

The aim of the exchange and the valuers' meeting was for each valuer to get a better understanding of the other valuer's valuation approach and evidence. From that point, to then see if agreement could be reached on the appropriate Concession Fee or, failing that, to narrow the valuation gap.

3.1 J DUNCKLEY EVIDENCE

In summary, Mr Dunckley based his market assessment primarily on the evidence of 8 other hydro schemes within public conservation land, where DOC revenue-based concession fees had been applied. An overview of this evidence, (including amendments post meeting), follows:

- In his evidence, he identified 11 hydro schemes on the West Coast but of these, only five (45%) appear to pay a revenue-based fee.
- Two Nelson Lakes comparisons were included, but Mr Dunckley did not rely on these due to difficulty in identifying what the agreements entailed.
- Mr Dunckley's evidence included 24 small to medium New Zealand hydro schemes in total but only for 8 (33%) of these could he confirm a revenue-based fee was being paid.
- Most of the agreements in Mr Dunckley's evidence are now dated, ranging from January 2000 to March 2019, while Lake Rochfort was renegotiated in 2024.
- The evidence related to varied hydro development types and his rent to revenue range was [REDACTED] with two rents split on a land ownership proportionate basis. Excluding Nelson Lakes, the range reduced to [REDACTED]
- Of the 8 comparisons, 7 schemes were significantly smaller with generation output of less than 8 MW (35% of Waitaha), while one, comprising 3 combined stations, was 46% of the size.

3.2 J DUNCKLEY - OTHER VIEWS

- Mr Dunckley's opinion was that the rent was to represent market rent for the land with appropriate consents in place.

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- He considered the DOC related evidence complied with the market rent test and was the best evidence.
 - Mr Dunckley paid no regard to other energy related evidence except that he used solar evidence to set the base rental. His indicated solar rent level was adjusted upwards significantly for base rent purposes, even though solar offers considerably lower risk, much greater certainty, requires lower capital investment, and the underlying land value is usually significantly higher.
 - It appears Mr Dunckley, in assessing his concession fee, made no discount or adjustments for the scale, risk, capital cost, potential for construction cost inflation and the engineering complexity of Waitaha, when comparing his evidence (again, as noted above – the greater the scale, risk, complexity and cost of a project, the lower the revenue percentage should be).
 - Mr Dunckley didn't agree with my analysis and view that, on hydro sites such as Amethyst, where land outside public conservation land was additionally required, the agreed concession fee rate did not require any significant apportionment for the split land ownership.
 - Mr Dunckley assessed the overall revenue-based concession fee in isolation, without any split between land rights and the royalty premium. In my view this is not normal valuation practice, especially given the low underlying market value of the Waitaha land, and the relatively high market value of solar farmland mentioned above.
 - From his overall concession fee, Mr Dunckley assessed and allocated a base fee to be paid monthly in advance, with the balance to be paid at year end, when revenue is known.

3.3 M PENROSE EVIDENCE AND VIEWS

My assessment was based on analysis of a wider and more robust evidential sample (listed on page 1), with some fundamental differences in opinion and shortcomings of the DOC valuation, now discussed:

- Market rent is for the land rights and the potential to utilise the land for hydro electricity generation.
- Determining market rent involved wider enquiry to test what reasonable parties would agree, acting knowledgably, prudently and without compulsion.
- Reliance on DOC based rentals that effectively feed off previous agreements, runs the risk of developing a circular market which operates without regard to true market conditions and levels.
- The DOC concession fee levels are not generally made publicly available, which along with the confidential nature of market evidence from other energy sectors, further complicates the valuation process. Potential DOC concessionaires normally do not have the ability to opt for an alternative site. Reliance on DOC rental evidence should be balanced against other non- DOC evidence.
- Although 24 hydro schemes are quoted in the DOC valuation, only one-third of these have revenue-based rental agreements. No detail was available as to what, if any, rent was paid on the other schemes and Mr Dunckley was not aware of any of these paying any revenue-based rent.
- While being outside my considered evidence, this inconsistent fee backdrop and lack of a uniform industry approach, sets a precedent whereby a reasonable hypothetical energy company would be at a competitive disadvantage by undertaking development in public conservation land. It follows that in a situation of negotiation, the potential DOC concessionaire would try to reduce the concession fee to restore some of the margin lost to other generation companies, not on conservation land and not subject to a DOC royalty payment.
- Each energy project is different, and the revenue-based fee should be determined having regard to the specific project characteristics, including the scale and capital cost, engineering complexity, risks of construction (delays and cost overruns), specialisation, impact on underlying land, mitigation measures and adverse effects payments.

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- My analysis indicated the cost impact of split land ownership applying on several schemes as part of the evidence, was minimal and that the key components dictating viability related to water access, suitable hydrology/ geography and gaining the required consents. The development costs for hydro are high, and the generation company is liable for these regardless of the underlying land ownership or split. The cost increase to Westpower, through split land ownership with Amethyst, was minimal, compared to the hypothetical cost situation applying had DOC controlled all the land associated with that scheme.
 - For larger scale, high risk projects (Waitaha being a prime example) a compensating lower revenue-based fee should apply.
 - From my research, solar and wind generators pay increased land rents to reflect the highest and best use potential of the land but generally they do not pay revenue-based royalties.
 - By comparison to the higher risk Waitaha proposal, solar developments are relatively low risk due to much lower capital costs, lower susceptibility to cost over-runs and more predictable generation yields. For wind farms, risk is also lower and at a moderate level. It is logical that the rent premiums analysed from these energy alternatives, as converted to a revenue-based return, should be above the market level applied for a higher risk hydro development. The proposed revenue rent percentage adopted by the DOC valuer is higher than the revenue-based rents applying for both solar and wind power, indicating the figure is too high and requires significant downward adjustment.
 - My assessment was treated as being similar to a compensation assessment for land taking, assessing the total revenue-based payment (compensation) and then allocating this to the following components:
 - Compensation for the land rights acquired
 - Added royalty value (based on market evidence)

4.0 JOINT VALUER AGREEMENT

The valuers were generally in agreement as to the physical details associated with the proposed scheme and no major differences were identified, that would have been material to our valuations.

After considerable discussion, neither valuer was prepared to move on their reported Concession Fee valuation.

J Dunckley [REDACTED] gross revenue
M Penrose [REDACTED] gross revenue

J Dunckley did concede that, from the revenue-based annual rent, deduction should be made for the proposed adverse effects payments, as per the calculation in my report.

Neither valuer factored in any adjustment for the significant public-good effects likely from the proposed scheme.

Yours faithfully



Mike Penrose
VPU; Dip VPM; AMINZ; FNZIV
Director, Registered Valuer
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