Statement of John Dunckley responding to the Panel's RFI#1 DOC

Date	5 March 2026
To	Fast-track Expert Panel, Waitaha Hydro Project
From	John Dunckley
Project advice provided for	Waitaha Hydro Scheme
Signature	[redacted]

Response requested to the following information:

A *Confirmation of whether that valuation took into account:*

a. the compensation offered by Westpower;
b. the term requested (i.e. whether the level is affected by the length of term); and
c. the purpose of the FTAA.

B *If the valuation did not take into account the above matters, the valuer's view as to whether it is appropriate to take these matters into account and the impact on the resulting valuation.*

C *A statement from DOC's valuer:*

a. as to whether and if so how his valuation would change now that CPI increases are offered for compensation payments;
b. whether he has seen Mr Griffiths statement and whether that changes his view in terms of the appropriate long-term concession rate level.

A Confirmation of whether that valuation took into account

Compensation offered by Westpower

1 The valuation did not include the compensation offered by Westpower. The instruction received was to assess the market fee for the occupancy rights contained within the lease and licence arrangements to operate a run-of-river hydro scheme.

2 The valuation excluded any element of compensation for temporary occupation or disturbance during the construction phase (the valuation relating to the long-term operation, and not the construction of the hydro scheme), or any negative impacts on the land of the proposed operational hydro scheme on the remainder land. It is market rate for an operational run-of-river hydro plant.

3 The valuation is based on market data. Where there are market influences and the valuer is aware of them then adjustment and allowances are made to reflect their impact. A market rental reflects the highest and best use of the land. Where a run-of-river hydro scheme is possible due to the physical characteristics of the site, then that use is the basis of the assessment.

4 Just as where ski fields are developed, they are the highest and best use for that occupancy.

5 I do not know the basis of the Westpower proposal for compensation and cannot comment on its validity, or if it meets the market tests, as set out in the New Zealand and International

Valuation Standards. I do know that my assessment meets that test. In forming my opinion, I have:

- relied primarily on transactions involving electricity generation,
- extensively examined the electricity industry and applied that analysis in forming my opinion,
- researched the land market for solar generation where there is an active market,
- formed a comparative database of over 100 proposed projects,
- applied adjustments to the concession rates where they only apply to part of a scheme.

6 I have not relied on:

- transactions of land for conservation purposes as this is not the highest and best use,
- camping ground and holiday park transactions as these businesses have different drivers,
- averages to establish a defendable basis,
- concession rates which are not adjusted to reflect a like for like base. Eg Amethyst at paragraph 81.

The term requested

7 The term was taken into account as set out in the proposed long term occupancy agreements. This was for 49 years commencing on the date of commencement of generation for all long-term leases, licences and easements.

8 The term of 49 years is generally consistent with the market evidence used in support of the valuation. There is no right of renewal which is also consistent with the data analysed.

9 As I discuss below, my understanding is however that the Westpower expectations are that run-of-river schemes operate in perpetuity and rely on a successful renegotiation of terms at expiry. This means that the proposed scheme is expected to have a very long-life expectancy, and thus a long-term return on investment.

The purpose of the FTAA

10 The purpose of the FTAA was not taken into account as being a factor which influences the valuation.

11 In my valuation experience the purpose of the FTAA has not resulted in influencing the market, either beneficially or negatively.

12 I am not aware of any deductions being made in favour of a grantee over a grantor's land due to the nature or mode of the acquisition. It is the market which influences the value of the property rights in the context of the proposed use and that value is not affected by the mechanism of acquiring them.

B If the valuation did not take into account the above matters, the valuer's view as to whether it is appropriate to take these matters into account and the impact on the resulting valuation.

Compensation

13 No, it is not appropriate to take into account compensation for environmental effects in the market valuation. This was not part of the valuation instruction.

Term

14 As above, the term was taken into account. The 49-year term is reasonably typical of other schemes and presumed to be the economic life of the assets employed.

Purpose of FTAA

15 No, it is not appropriate to take into account the purpose of the FTAA in a market value assessment for the purpose of setting a concession rent/fee.

C A statement from DOC's valuer on:

a) CPI adjustments

16 As the adverse effects compensation payments are not relevant to market value of a fee, the addition of CPI adjustments does not affect my market valuation.

b) Comment on Mr Griffiths statement and whether that changes my view in terms of the appropriate long-term concession rate level

17 I have read Mr Griffiths' 23 February statement. However, I have not been given the economic analysis behind the Waitaha scheme which I assume would have informed Mr Griffiths' comments about the financial viability of the scheme. I have viewed the Westpower financial returns which provide background to my below response.

18 The 2016 book value of all Westpower hydro generation assets were $36 million after normal accounting depreciation was applied. This demonstrates that the Amethyst hydro scheme was the major asset in the Westpower portfolio when it was commissioned. I could not identify the value of the balance of the hydro portfolio as it was not independently reported. However, extrapolating from the 2010 and 2011 published accounts it was less than $5 million.

19 In 2025, the PWC valuation range based on their future price path was $45.3m to $55.2m[1]. The mid-point valuation based on the Energy Link price forecasts was $65.2m, and as a result of this sensitivity analysis the hydro generation assets have been revalued to $55.2m, which is the top end of the PWC independent value range. This resulted in an uplift in the book value of these assets from a depreciated cost of $29million to $57million (pg37 2025 accounts). Amethyst is the major asset in this group which overall has almost doubled in value due to its economic performance.

20 The key assumptions adopted by PWC are set out at pg 51. Pertinent to Mr Griffiths' statement are the following extracts:

[1] PWC Westpower annual report 2025 pg51

- The discount rate used in the DCF is 8.15% and is based on the WACC for a generation business calculated using recent financial market data.
- The generation asset is assumed to operate in perpetuity subject to reconsenting and regular maintenance.
- The terminal value is calculated using the Gordon Growth model and uses a terminal growth rate of 2% and normalised capital expenditure equal to average real capex over the projection period.

21 The assumptions indicate that the concession rate charged for Amethyst is affordable, and hydro schemes have a very long-life expectancy and normal CPI inflationary adjustments are built into their value.

22 Mr Griffiths refers to smaller schemes and implies these should attract a higher concession rate than larger schemes such as Waitaha. That infers economies of scale do not apply. I disagree with this and refer to the solar developments where there is no appreciable differential in rents paid for small-scale or large-scale developments. There is a build cost saving for larger developments.

23 Both small schemes and large schemes require the same steps to be undertaken, the same consultancy reports and consent applications. The land is the same, just its potential (configuration) which enables more energy to be harvested. It may be assumed that the larger the scheme the lower the risk, and a higher fee percentage should apply. The added risk comes in the market for the energy, not the site.

24 The base fee set out in my valuation report covers this scenario and allows a large-scale activity to establish its markets but gives the grantors a guarantee of some return over the developmental stage. This is a normal commercial expectation.

25 Hydro is also generally different to solar where the generation assets require replacement every 20 to 30 years, resulting in a lower return on investment if the life of the scheme is taken into account.

Other Matters

Response to Mr Penrose's 23 February 2026 statement

26 There are a number of comments in Mr Penrose's 23 February statement that I wish to respond to.

Solar and wind energy comparators

27 Mr Penrose has commented in his 23 February statement that from his 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

28 Solar farms are based on a $/hectare lease paid monthly in advance. The lessee establishes the suitable area available for generation and offers a lease with a land rent per hectare for that use. The rate offered is usually greater than double the prevailing rural rates but can be as high as 20 times the alternate underlying land use rental rate. The lessor with this form of lease is protected through an annual CPI or PPI adjustment. The rent is reviewed on renewal at 25 to 30 years based on the life expectancy of the generation assets.

29 Solar generation obtains the energy source (sun) at no cost and there is an abundance of available land suitable for generation. It takes approximately 110 hectares of land to produce

131GWh of electricity (rental 110 hectares at $5,400 per GWh or approximately $700,000 per year). The rent as a percent of revenue is in the range of 3% to 3.5%.

30 In the case of new hydro developments easement fees are negotiated over third party lands for generation, transmission and access rights as a percentage of revenue. This percentage reflects the rights for conveyance of the water, the power plant, and access to the scheme and transmission lines from the scheme. This resource is usually a river and as such is subject to public ownership.

31 The key difference for hydro is that the resource being harvested, the energy, is available because of the specific attributes of the land developed. A source of water, an economically developable head (net fall), and outfall to the river within an accessible distance from the grid. In functional terms this is the water to the point of generation, the power station site, and the conduit to the grid. The fee payable for each component depends on the particular site.

32 The first two components (water conveyance and power plant) depend on the landform configuration. The two components can be in different ownership and analysis from the eight hydro developments analysed a fee split on a 50/50% basis is reasonable. An alternate methodology has been to split each component by the construction cost proportion within each section. This method tends to undervalue the land as the best sites are the cheapest to develop. Obviously two sites with the same potential output the lowest development cost alternative should command the greater fee.

33 What is being exploited is a unique land configuration of which there are relatively few. The developer offers the fee which allows the use of a natural resource by displacing the existing pastoral or passive and recreational uses. The use is changed to an electricity generation site.

Amethyst comparison

34 The notional fee split for Amethyst on the basis of 50/50 (conveyance to generation) is discussed within my valuation and was agreed in the initial negotiations. At the 2024 review the same 50/50 basis was applied and the initial fee of for the conveyance component was increased.

35 The Waitaha site provides a substantially shorter conveyance length of 1.5 km.

36 We are aware of another scheme which is also split on a similar basis where the conveyance easement was reviewed in 2024 at 56%.

37 In our valuer discussions with regard to compensation for the impact the hydro has on the recreational and other values associated with the land I indicated that I needed to consider this further. On the surface some items may be double counted either to increase or reduce it, however there was no detail discussed and there was no concession by me that these items formed part of the assessment fee.

38 Mr Penrose produced one comparable run-of-river rental (Amethyst) The information shared did not align, and in my view Mr Penrose was not prepared to seriously consider the information I presented which verifies that where a concession interest applies only to a part of a run-of-river scheme the fee % requires adjustment (as is my practice).

39 I strongly disagree with the analysis Mr Penrose has applied in arriving at his market rate for the concession fee % as set out in section 6 of his report. For the following reasons I consider his methodology is serious flawed.

a) His selection of comparable data. Holiday Parks and Other Permits and concessions are not comparable. A run-of-river hydro scheme is a specific use within the energy sector. Where there is market data in the in that sector it should be used.

b) He provides only one hydro comparison and does not adjust the fee % to reflect a whole scheme and used this percentage as the basis of his conclusion. He applied adjustments to the other market information which I do not support.

c) This includes provision of 3 wind farm comparisons where Mr Penrose converted the rents per turbine to a % revenue which were then averaged to a particular percentage. There were however no calculations provided. Mr Penrose made an additional adjustment for risk which I do not agree with, risk adjustment is already built into the rate which was offered.

d) Mr Penrose has identified two solar farms, both small scale, both of which I am familiar with. Mr Penrose's reference to a revenue-based fee/rental in the lease for the Far North Solar Farm was not consistent with the lease registered on the title as at November 2023. This error causes his averaged conclusion to be wrong.

e) I don't consider Holiday Parks or the other royalty evidence as appropriate comparators on which to base a concession fee for the proposed hydro scheme where there is sufficient comparable industry-based data.

40 After applying these corrections comparables, the range of the comparable analysis is reduced to [.]% to [.]%.