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29 August 2025

Matthew Clark
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Commerce Commission
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RCP4 Disclosure Year 2026/27 Delivery Risk Allowance Adjustment

Dear Matt,

Transpower is applying to the Commerce Commission (the Commission) for a reopener event under the Transpower Individual Price-Quality Path Determination 2025 (the IPP) regarding the Delivery Reopener Adjustment Mechanism (DRAM).

This application is in respect reopening our revenue, and therefore prices, for RCP4 from the second disclosure year of RCP4 (ending 30 June 2027).

Our FTE disclosure totals as at 30 June 2025 as required by the IPP, Schedule EA, clause 2.3 are provided in Appendix 1. Our compliance against the respective Transpower Input Methodologies (IM) and the IPP requirements are set out in Appendix 2 of this application. Chief Executive certification is provided in Appendix 3.

We ask the Commission to update Transpower's standard incentive rate base capex and opex allowances for the full amount allowed under the delivery risk adjustment mechanism. In total we are seeking a reopener for the remaining years of RCP4 for the MAR totalling $24.0m (nominal). The changes required to Schedule A, Schedule C2, Schedule C4, Schedule 5, and Schedule 6 of the IPP for the remaining disclosure years in RCP4 are set out in Appendix 4.

Please contact Joel Cook, Head of Strategy and Regulation, (joel.cook@transpower.co.nz) if you wish to discuss this application or for any additional information you may require. As per the requirements of the IPP, we intend to publish this information on our website.

Yours sincerely,

James Kilty
Chief Executive

Appendix 1: FTE disclosure

Our full-time equivalent employees and contractors (referred to collectively as FTEs) as at 30 June 2025, as defined by the IPP is 1050.2 FTEs. The FTE target for 30 June 2025 in Schedule EA is 1003 FTEs.

Table 1: Transpower's total FTEs as at 30 June 2025

	Employee FTE	Contractor FTE	Total FTE	Target FTE
Total FTE	911.7	138.5	1050.2	1003

Further detail of the 1050.2 FTE's is split into Employee and Contractors in the following tables.

Transmission line of business FTEs

Table 2: Transpower's closing employee FTE allocation to the transmission line of business

Division	30 June 2024	Movement	30 June 2025
Corporate Services	76.2	*6.6*	82.7
Customer and External Affairs	52.1	*5.0*	57.2
Future Grid	0	*3.0*	3.0
Grid Delivery	180.2	*15.4*	195.6
Grid Development	156.2	*16.4*	172.6
IST	180.9	*18.6*	199.5
Operations	81.5	*6.0*	87.5
People	37.2	*9.6*	46.8
Graduates	20.0	*11.0*	31.0
Strategy Regulatory and Governance	31.9	*3.9*	35.8
Total	**816.2**	***95.5***	**911.7**

The RCP4 submission was compiled in 2022/23 during a period with a tight labour market. At that stage Transpower had an overall turnover rate of 10%. As at June 2025, the turnover rate has reduced to 7.5%. In addition, the weak labour market has assisted with the retention and attraction of staff. It remains challenging to fill Power System/Power System Dynamics Engineers and High Voltage Substation Engineers at all levels.

Transmission lineof business contractor FTEs

Table 3: Transpower's closing contractor FTE allocated to transmission line of business

Division	30 June 2024	Movement	30 June 2025
Corporate Services	3.1	*2.8*	5.9
Customer and External Affairs	1.3	*1.3*	2.6
Future Grid	0	*0*	0
Grid Delivery	19.9	*-0.3*	19.6
Grid Development	13.0	*-2.9*	10.1
IST	69.6	*15.9*	85.5
Operations	2.4	*1.7*	4.1
People	3.6	*4*	7.6
Strategy Regulatory and Governance	2.9	*0.1*	3.0
Total	**115.6**	***22.9***	**138.5**

Like the permanent roles, the contractor market as softened significantly. This has resulted in Transpower mostly being able to procure resources where required.

A contractor is defined for the purpose of the DRAM if all the following apply:

a) Is providing extra capacity or backfill for a role that exists within Transpower, or
b) acting as an additional resource for a time-limited piece of work; and
c) is engaged on a contract for service, either directly (self-employed) or via a third-party (recruitment agency), and is not an employee of Transpower; and
d) is paid upon provision of a GST invoice through their own managed entity or third-party recruitment agency; and is not
e) an employee of a Service Provider (who is completing agreed work specified in the MSA), or
f) if a contractor, meets the definition of (a-c) above, and is employed by a service provider, by is completing work outside of the MSA, then this position should be measured in accordance with the definition of a contractor or a consultant.

Consistent with our initial RCP4 application, the contractor figure includes QualIT (now PlanIT) specialists, who provide IST testing function that Transpower has outsourced. To remain consistent with the submission, we included PlanIT specialists in the actual contractor FTE calculation.

Appendix 2: Revenue reopener for the DRAM

We are applying for a delivery risk adjustment reopener to our revenue path, after meeting our FTE target outlined in Part 1 above. The FTE target is for 30 June 2025 (DY_n). The reopener applies to our disclosure year ending 30 June 2027 (DY_{n+2}), and will be applied to our 2026/27 pricing year.

In accordance with the IPP Schedule EA, we have adjusted our revenue model to include the maximum base capex and maximum opex amounting to $44,877,789 after meeting 100% of the FTE target. The is made up of:

- Base capex- $29,427,487.
- Opex- $15,450,302.

Transpower reopener IPP and IM compliance

In order to meet the requirements set out in clause 33 of the IPP, we have adjusted the revenue model (Transpower RCP4 Revenue Model_November) provided to the Commission to set our RCP4 revenue.[1] This model is the same model used by the Commission to set our RCP4 IPP Determination.

Based on meeting the 100% FTE target, we have calculated the adjustment to the MAR and SMAR using the following process:

1. Adjusted the allowances within the input methodologies tab for the i25 reopener maximum deliverability adjustment the base capex allowance and opex allowance (row 474 and row 493)
2. Apportioned the maximum base capex allowance into the incremental new asset regulatory commissioning based on the 2027 forecast new asset regulatory commissioning values (excluding operating lease assets). In row 516 this has been 100% attributed to base capex commissioning
3. Allocated 100% of the regulatory commissioning value to the incremental new asset tax commissioning value on the basis there is no IDC for revenue corresponding capex expenditure in the same year.
4. In the cover page, set the incremental update to i25 in cell G8, then run the iterations in cell M10.

This model '20250828 Transpower RCP4 revenue model_DRAM' is provded as an attachment to this letter.

1 https://static.transpower.co.nz/public/uncontrolled_docs/Transpower%20RCP4%20revenue%20model_November2024.xlsm?VersionId=xD8JerPeKYE7GfiP5sL98v1Zb.wQVeOM

Appendix 3: Chief Executive Certification of Delivery Risk Adjustment and updated forecast MAR and SMAR

Schedule L: Chief executive officer's certificate – proposal to update forecast MAR and forecast SMAR

I, James Kilty, being the chief executive officer of Transpower New Zealand Limited, certify that, having made all reasonable enquiries, to the best of my knowledge and belief, the proposed update of the forecast MAR and the forecast SMAR for the pricing period 1 April 2026 to 31 March 2030 complies with the requirements of the Transpower Individual Price Quality Path Determination 2025.

[redacted]

James Kilty

28 August 2025

Appendix 4: Schedules for the IPP

Schedule A: Summary of forecast MAR and forecast SMAR

Forecast MAR applied to pricing years in RCP4 ending	Forecast MAR is calculated based on building block values for the disclosure year ending	Initial determined value of forecast MAR for pricing year	Incremental update to forecast MAR determined in 2025	Incremental update to forecast MAR determined in 2026	Incremental update to forecast MAR determined in 2027	Incremental update to forecast MAR determined in 2028	Total forecast MAR applicable to the pricing year (sum of amounts in columns 3 to 7)	Forecast SMAR applicable to the pricing years in RCP4
31 March 2026 (Year 1)	30 June 2026	$1,076.0 million	N/A	N/A	N/A	N/A	$1,076.0 million	$976.7 million
31 March 2027 (Year 2)	30 June 2027	$1,112.9 million	$17 million	N/A	N/A	N/A	$1,129.9 million	$1,141.4 million
31 March 2028 (Year 3)	30 June 2028	$1,161.7 million	$2.1 million	N/A	N/A	N/A	$1,163.8 million	$1,198.4 million
31 March 2029 (Year 4)	30 June 2029	$1,230.4 million	$2.4 million	N/A	N/A	N/A	$1,232.7 million	$1,258.4 million
31 March 2030 (Year 5)	30 June 2030	$1,271.6 million	$2.6 million	N/A	N/A	N/A	$1,274.2 million	$1,321.3 million

Schedule C2: Standard incentive rate base capex summary – commissioned basis (including capitalised operating leases)

Disclosure year ending	Standard incentive rate base capex allowance as determined 29 August 2024	Incremental standard incentive rate base capex allowance determined in 2025	Incremental standard incentive rate base capex allowance determined in 2026	Incremental standard incentive rate base capex allowance determined in 2027	Incremental standard incentive rate base capex allowance determined in 2028	Standard incentive rate base capex allowance for purposes of forecast MAR in the disclosure year (sum of columns 2 to 6)
30 June 2026	$460.5 million	N/A	N/A	N/A	N/A	$460.5 million
30 June 2027	$585.4 million	$29.4 million	N/A	N/A	N/A	$614.8 million
30 June 2028	$437.0 million	$0.0 million	N/A	N/A	N/A	$437.0 million
30 June 2029	$437.2 million	$0.0 million	N/A	N/A	N/A	$437.2 million
30 June 2030	$630.4 million	$0.0 million	N/A	N/A	N/A	$630.4 million

Schedule C4: Standard incentive rate base capex summary - expenditure basis (excluding capitalised operating leases)

Disclosure year ending	**Standard incentive rate base capex allowance as determined 29 August 2024**	**Incremental standard incentive rate base capex allowance determined in 2025**	**Incremental standard incentive rate base capex allowance determined in 2026**	**Incremental standard incentive rate base capex allowance determined in 2027**	**Incremental standard incentive rate base capex allowance determined in 2028**	**Standard incentive rate base capex allowance for purposes of forecast MAR in the disclosure year (sum of columns 2 to 6)**
30 June 2026	$490.2 million	N/A	N/A	N/A	N/A	$490.2 million
30 June 2027	$508.8 million	$29.5 million	N/A	N/A	N/A	$538.3 million
30 June 2028	$449.4 million	$0.0 million	N/A	N/A	N/A	$449.4 million
30 June 2029	$451.1 million	$0.0 million	N/A	N/A	N/A	$451.1 million
30 June 2030	$466.6 million	$0.0 million	N/A	N/A	N/A	$466.6 million

Schedule C5: Summary of opex allowances (excluding capitalised operating leases)

Disclosure year ending	Base opex allowance as determined 29 August 2024	Base opex allowance determined in 2025	Base opex allowance determined in 2026	Base opex allowance determined in 2027	Base opex allowance determined in 2028	Base opex allowance for purposes of forecast MAR in the disclosure year (sum of columns 2 to 6)
30 June 2026	$421.1 million	N/A	N/A	N/A	N/A	$421.1 million
30 June 2027	$419.3 million	$15.5 million	N/A	N/A	N/A	$434.7 million
30 June 2028	$440.8 million	$0.0 million	N/A	N/A	N/A	$440.8 million
30 June 2029	$445.0 million	$0.0 million	N/A	N/A	N/A	$445.0 million
30 June 2030	$437.6 million	$0.0 million	N/A	N/A	N/A	$437.6 million

Schedule C6: Summary of forecast opex for IRIS (including capitalised operating leases)

Disclosure year ending	Base opex allowance as determined 29 August 2024	Base opex allowance determined in 2025	Base opex allowance determined in 2026	Base opex allowance determined in 2027	Base opex allowance determined in 2028	Base opex allowance for purposes of forecast MAR in the disclosure year (sum of columns 2 to 6)
30 June 2026	$432.4 million	N/A	N/A	N/A	N/A	$432.4 million
30 June 2027	$432.2 million	$15.5 million	N/A	N/A	N/A	$447.6 million
30 June 2028	$460.1 million	$0.0 million	N/A	N/A	N/A	$460.1 million
30 June 2029	$457.0 million	$0.0 million	N/A	N/A	N/A	$457.0 million
30 June 2030	$448.7 million	$0.0 million	N/A	N/A	N/A	$448.7 million