Request to amend the Electricity Industry Participation Code 2010

This form is to request:

☒ an amendment to an existing clause or clauses in the Electricity Industry Participation Code 2010 (Code) AND

☒ the removal of an existing clause or clauses in the Code

☐ ~~a new clause or clauses in the Code~~

Please refer to the Code amendment request guidelines [insert link] when completing this form. The Guidelines contain more information about requesting a Code amendment and the Authority's process when it receives a request.

Please complete all relevant sections of this form, with as much information as you can. The more information you include in your request, the better we will understand and be able to assess your request. If there is not enough room in this form, you can attach more pages.

Email completed forms to info@ea.govt.nz.

Proposer

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Section 1: Information to include for all requests

Complete this section for all Code amendment requests.

The proposal

1. Objective of the proposal What do you want the proposal to achieve? Provide supporting information on the problem or issue the proposal seeks to resolve	The objective of this proposal is to reduce complexity under the TPM by removing a specific type of adjustment event "*substantial sustained increase (SSI).*" We consider the current clause is unworkable and its removal will improve efficiency for Transpower and customers. First, for newly connecting plant to the grid, a key context for the baseline consumption or generation value is that it is established assuming the plant is fully operational (accounting for capacity factor). This baseline mans a 25% increase is unlikely within existing plant capacity and plant upgrade would be needed. Plant upgrade is already an adjustment event. For plant connecting to the distribution network, it must be greater than 10MW and the EDB (or the party) must tell us about its connection and operating characteristics, to establish the baseline IRA. The baseline IRA for existing BBIs will be an estimate for large plant that has connected since the new TPM came into effect and therefore relies on the distributor and/or Transpower monitoring the plants actual metered data against the estimate used for the baseline IRA. Transpower does not hold baseline IRA data for embedded plant >10MW connected before the new TPM came into effect. Second, the ex-ante requirement that the 25% increase will persist for 5 years relies on judgement that we consider Transpower will find very difficult to apply, e.g. for commercial entities operating in global markets that can experience exogenous shocks. To avoid doubt, we consider that even if more rules were created to compel parties that hold relevant data to provide it to us, this data would still be "ex-ante" and require Transpower (or its customers) to speculate whether data showing a 25% increase (a step-change) in the present day, would persist for five years. In other words, Transpower and its customers would still be unable to be conclusive about when an adjustment event might have occurred, even with data provision. As a policy, we consider the presence of the SSI adjustment event discriminates between smaller and larger capacity (and capacity factor) customers in a way that risks the TPM being less robust, i.e.: • Will not deliver intended efficient operation objectives (because the threshold acts as a cap on smaller parties' consumption changes before

	larger parties) – the clause is not competitively neutral nor technology agnostic • Is inequitable, increasing BBCs to smaller and newer parties earlier, thereby reducing those of larger parties • creates stakeholder concerns as to how to manage their operations. The rule creates inefficient and inequitable outcomes where charges are triggered by an absolute increase in output in the presence of a fixed transmission revenue requirement. Smaller plants reach the output threshold earlier and receive a disproportionate share of charges before larger plant becomes liable. The resulting allocation reflects differences in scale rather than differences in network usage or beneficiary status, undermining competitive neutrality by concentrating charges on smaller participants for reasons unrelated to efficient transmission system utilisation. Please also see the "alternatives" section of this Code amendment request.
2. Category of request State whether you think the request is minor, medium or complex, and why (applying the criteria in the Guidelines [insert link]). For minor requests, specify whether you think the nature of the amendment is technical and non-controversial.	We consider the request is medium as an adjustment event is being removed and is thus a change of scope for such events.
3. Clause(s) to which the proposal relates If the proposal relates to existing Code clause(s), state the full clause reference/s here. If the proposal relates to a new clause, state where you think this would best fit in the Code.	Clauses 3 (definition of "substantial sustained increase"), and clauses 81(1)(f), 81(1)(g), 81(4), 81(8), and 86.
4. Description of the proposed amendment Describe the Code amendments you are proposing (or attach a draft of the proposed Code amendment when submitting this form). Note: if you are providing draft wording of the proposed Code amendment, see the Code drafting manual for guidance.	Please refer to the marked up (track-changes) copy of the TPM for the clauses to which this proposal relates: Appendix F – Proposed drafting changes: Removal of SSI Adjustment Events.

5. How the proposal supports the Authority's main objective Identify how your proposal would support the Authority's main objective of promoting competition in, reliable supply by, and/or efficient operation of the electricity industry for the long-term benefit of consumers. If the proposal is not expected to impact a limb of the main objective, use "No impact on this limb" See section 15(1) of the Act	**Efficient operation:** This proposal promotes efficient operation through better utilisation of Transpower and Customer resources. Removal of the clause will remove concern from parties that increases in their consumption or generation will trigger an adjustment event that will increase their transmission charges. As their charges are already based on consumption or generation from being fully operational, this ensures parties can operate as they see fit within their plant capacity. Even if Transpower was able to access the data directly (by compelling other parties to provide it) to understand that there has been a 25% increase since the last time the BBIs for the customer was calculated and can form a view about its persistence, avoidable administrative cost and consequential issues (such as constant checking on persistence, or changes to parties' operational behaviours to avoid persistence) would arise. Removing the specific adjustment events means Customers would not have to be involved in Transpower's attempts at determining whether an SSI event has occurred.
6. Application of the Authority's additional objective Identify whether your proposal relates to the dealings of industry participants with domestic consumers and small business consumers. If it does, identify how your proposal will protect the interests of domestic and small business consumers in relation to the supply of electricity to those consumers. See sections 15(2)-(3) of the Act	N/A

7. How the proposal complies with section 32 of the Act The Code may only contain provisions which are necessary or desirable to promote specific matters listed in section 32(1) of the Act which are: a) competition in the electricity industry b) the reliable supply of electricity to consumers c) the efficient operation of the electricity industry d) the protection of the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers e) the performance by the Authority of its functions f) any other matter specifically referred to in the Act as a matter for inclusion in the Code. Identify which of the section 32(1) matters listed in the adjacent column your proposal relates to.	This proposal promotes the efficient operation of the electricity industry for the long-term benefits of consumers by removing a clause that: (i) is unlikely to be able to be complied with in any way that promotes Transpower's efficient operation (administration) of the TPM and our Customer's engagement with it (ii) even if more rules were created to compel parties that hold relevant data to provide it to us, this data would still be "ex-ante" and require Transpower to speculate whether data showing a 25% increase (a step-change) in the present day, would persist for five years (iii) for policy intent (benefits reallocations), would be subsumed by other adjustment events or processes, such as the effects of a large upgrade to those allocations, or the five-yearly updates to the simple method.
8. Affected parties Who is likely to be substantially affected by the proposal? This could include other participants (such as generators, distributors metering equipment providers, intermittent generation owners), consumers, market operation service providers.	Transpower and all parties affected by BBCs will be positively affected by this proposal.
9. Urgency Identify whether you consider your proposal to be urgent (providing supporting rationale). Section 40 of the Act	Not urgent to the extent of the Act. However, if the Code change was to be in effect by 1 November 2026 then the removal of SSIs as adjustment events would coincide with the batching of adjustment events. It makes sense for both changes to occur at the same time.

10. Support for the proposal Do you consider there is widespread support for your proposal among the people likely to be affected? If so, provide supporting rationale.	For Transpower's Operational Review process, Transpower sought views through its industry working group (IWG). The IWG represents a cross-section of TPM stakeholders with expertise from across the electricity system. The IWG endorsed the proposal to remove SSI adjustment events.[1] Similarly, submitters that responded to the question about removing the SSI adjustment event in Transpower's consultation, supported the proposal (see footnote 2).
11. Prior consultation Do you consider there has been adequate prior consultation on the proposal so that all relevant views have been considered? If so, provide supporting rationale.	*Two avenues of prior consultation:* First: Views sought through the IWG (above). Second: Views sought through Transpower's consultation on the issue, as above.[2] No submitters objected.
12. Other relevant information Is there any other relevant information you would like the Authority to consider?	Worked examples are provided in Attachment B.1 which demonstrate workability issues with the SSI adjustment event, and illustrate the point that an SSI adjustment event is not needed because other TPM adjustment and updating provisions would capture the same changes in use.

Section 2: Standard Code amendment requests

This section should be completed for all standard Code amendment requests. A request will be treated as a standard Code amendment request unless the Authority is satisfied that one of the following applies:

- the nature of the amendment is technical and non-controversial (question 2)
- the proposed amendment should be made urgently (question 9)
- there is widespread support for the amendment among the people likely to be affected by it (question 10), or
- there has been adequate prior consultation so that all relevant views have been considered (question 11).

You do not need to complete this section of the form if any of these apply. However, if the Authority does not agree with your assessment and decides to treat the request as a standard Code amendment request, we may come back to you and ask you to complete this section.

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1 TPM Operational Review 2026 Workstream 1 - Consultation Document.pdf "The IWG endorses Transpower's proposal to remove the SSI adjustment events. The IWG considers these adjustment events, while well-intended, target a minor issue and are unworkable in practice."

2 Transpower - summary of submissions - TPM OpRev26 - FINAL VERSION.pdf "The submitters that responded to this question supported the amendment to remove SSI adjustment events, being ENA, IEGA, Lodestone, MEUG, Orion, Unison and Centralines, Vector and Westpower"

Provide a summary of the costs and benefits in the table below. Benefits can be qualitative and/or quantitative.

Costs and benefits of the proposal

(Option A in Chapter 10 of Workstream 1 cover paper remove adjustment event "substantial and sustained increase").

13. Costs of the proposal Identify the expected costs of the proposal, including: • your assessment of the direct cost to develop and implement the proposed Code amendment, and • the consequential costs as a result of the amendments.	No material direct costs. No consequential costs.
14. Benefits of the proposal Identify the expected benefits of the proposal	Transpower has not yet sought to apply the clause because it is unlikely to be aware of such event happening. The benefits arise from confidence that Transpower will not be exposed to non-compliance risk and the consequential processes arising should non-compliance be alleged. Removing the specific adjustment events means Customers would not have to be involved in Transpower's attempts at determining whether an SSI event has occurred.
15. Net benefit of the proposal State whether you consider the proposal has a positive net benefit, and why.	We consider the avoided costs of system changes to collect, validate, and report required data, ongoing administrative and assurance costs, and governance and legal review processes to manage regulatory risk outweigh any administration costs of this proposal.

Assessment of alternative options

	Alternative means of achieving proposal's objective ***(repeat column as necessary)***
Alternative	**Compel more data provision** (denoted Option B in Chapter 10 of WS1 cover paper *Remove adjustment event "substantial sustained increase."*
16. Describe alternative option Include a brief description of any alternative means identified of achieving your objective	Make more regulation compelling Transpower's Customers and potentially other industry participants (the system operator, or reconciliation manager) to provide Transpower with data and/or information (the data processed into information).

17. Identify extent to which the alternative would achieve your objective	The objective would not be achieved. Compelling disclosure of a 25% increase in operations in one year (i) would not assist Transpower to make an ex-ante judgement about the level of persistence (ii) could increase incentive on parties to inefficiently manage their operations to avoid any increase in transmission charge.
18. Affected parties Who is likely to be substantially affected by the alternative?	Transpower, all its Customers, and potentially other industry participants.
19. Expected costs and benefits Please include direct costs to develop the alternative and consequential costs and benefits to all affected parties	Benefits: the benefits of achieving "precision" of changes to BBCs (noting greater precision is not the same as greater accuracy) Cost: increased compliance burden • system changes to collect, validate, and report required data • ongoing administrative and assurance costs • governance and legal review processes to manage regulatory risk.
20. Why do you prefer the proposal over this alternative?	Compliance costs would ultimately be passed through to Transpower Customers without clear evidence that they deliver commensurate efficiency gains and with risk of operational inefficiency.

Attachment B.1 – Worked examples of SSI adjustment events

This attachment provides worked examples to demonstrate workability issues with the SSI adjustment event, and illustrate the point that an SSI adjustment event is not needed because other TPM adjustment and updating provisions would capture the same changes in use. For the embedded plant illustration, we have assumed embedment to an Electricity Distribution Business (EDB), which would be our relevant Customer for the adjustment under the TPM.

Scenarios

1. Dairy plant converting from coal to electric boiler (e.g. 20MW)
2. Dairy plant doubling its capacity 20MW to 40MW – now two electric boilers
3. Electric dairy plant was operating at 50% (assume with the two boilers) and is now 90%

1. **A dairy plant converting its boiler from coal to electric**

- For grid connected plant, if the plant's consumption had doubled (converting from coal to electric) Transpower would view it as new (large) plant upgrade and this is already an adjustment event (and so applying an SSI would be double counting). We would follow clause 81 for large plant upgrade which is the same as for connection of large plant equivalent in size to an upgrade.[3] Transpower estimates the large plant's IRA for the baseline. *The baseline for the converted plant is estimated assuming full operation* (measured in kWh).[4]
- For new embedded plant, the plant would need to be greater than 10MW to attract an adjustment to the EDB's transmission charges. We would rely on the EDB or new party to advise us of the increase. We would need to understand the plant's full potential operations to estimate the baseline IRA.
- For existing embedded plant there is no baseline measurement and so the SSI adjustment event would not apply.

2. **Dairy plant doubling its electric boiler capacity**

- For grid connected plant, the baseline IRA would be reassessed (by assuming the plant is fully operational) by adding the estimated IRA of the second electric boiler to the baseline IRA of the first electric boiler. Doubling capacity would be a large plant upgrade because the increase is more than 10MW. For an increase in energy consumption to exceed the 25% SSI adjustment event threshold, it is likely that a grid connected plant would need to upgrade its plant. Such an upgrade is most likely a large plant connected adjustment event. We would follow clause 81 for large plant upgrade which is the same as for connection of large plant equivalent in size to an upgrade.[5]
- For embedded plant, the increase in consumption would increase the EDB's IRA and would be accounted for in modelling future BBIs (although not for existing BBIs).

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3 TPM clause 81(3)

4 TPM clause 81(4) provides that the increase in electricity consumed or generated must be assessed against the average annual electricity consumption or generation by the large plant included in the current value of the customer's intra-regional allocator for its regional customer group and the BBI.

5 TPM clause 81(3)

3. **Electric dairy plant was operating at 50% and is now 90%**

- For grid connected plant, the baseline IRA (for two boilers) assumes the plant is *fully operational*, hence if it is choosing to operate at 50%, it is still being charged its BBCs as if it was operating with higher consumption. Therefore, the increase from 50% to 90%, while being an actual increase in consumption of greater than 25%, would not meet the threshold for an SSI adjustment event, because the 25% is from the baseline figure, and we consider that for that to increase by that amount, the plant itself would need to upgrade.
- For embedded plant, the increase in consumption would increase the EDB's IRA and this would be accounted for in modelling future BBIs (although again, not for existing BBIs).

Workability issues

The following examples demonstrate some of the difficulty Transpower has in identifying when an SSI adjustment event has occurred, such as obtaining the necessary information, and having to apply judgement as to whether the change will persist for five years.

Illustrative example: new large embedded plants

1. When a new large embedded plant is connected, we calculate its baseline IRA as if it is already fully operational. This includes any planned upgrades that are underway but not yet commissioned at that time.
2. Assuming access to meter data of this plant, we will monitor yearly its meter data and compare them with the baseline IRA we have calculated in number 1 above.
3. If the meter data did show a 25% increase, we consider it more likely that the "fully operational" baseline IRA was under-estimated. Plant operating at full capacity is unlikely to be able to increase operations by 25% without needing a capacity upgrade. A capacity upgrade is already an adjustment event.
4. Recalculation of charges would potentially be a correction, rather than an SSI adjustment event.
5. But if the 25% increase is found to be real, TP still must judge (ex-ante) whether the increase will persist for five years, for an SSI adjustment event to be applied. To make a sound decision, we will need cooperation with the owner of the plant.

Illustrative example: existing embedded large plants

1. For an existing embedded large plant, Transpower would not know the plant detail and location unless this information was disclosed to Transpower by the EDB or embedded party.
2. We would also need disclosure of the embedded plant's meter data during the capacity measurements periods (CMPs) of all BBIs.
3. With the meter data, Transpower would calculate the baseline IRA (supply and/or demand) for each BBI of a plant.
4. We would then develop a system where we can monitor yearly whether the baseline IRAs of each BBI have been exceeded by at least 25% for each embedded plant we are aware of via a prior adjustment event (large plant connected). TP still must judge (ex-ante) whether the increase will persist for 5 years, for an SSI to be applied.
5. For each plant whose baseline IRA has been exceeded by 25%, we would have to investigate whether the increase will persist for the next five years, for an SSI adjustment event to be applied. To make a sound decision, we will need cooperation with the owner of the plant.