

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)
- ~~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](mailto: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

<p><b>1. Objective of the proposal</b></p> <p>What do you want the proposal to achieve?</p> <p>Provide supporting information on the problem or issue the proposal seeks to resolve</p>	<p>The context for this proposal is Transpower undertaking the Operational Review of the TPM. The review is expected to run through 2026.<sup>1</sup> In this timeframe, Transpower also needs to start its analysis for deriving regions and benefits for the subsequent Simple Method Period (the second period) following the current period (the first Simple Method period). We expect the calculations for the Simple Method reset to take around six months, with consequential Transpower pricing system (TPS) changes to take at least as long, depending on complexity.</p> <p>The objective of this proposal is to defer incurring the transactions costs of undertaking the analysis for the second Simple Method period, provided that the deferral benefit is greater than the potential loss of precision with existing allocations remaining for one further year.</p> <p>Deferral can occur if the first Simple Method period is extended by one year (or more): currently the period ends 31 March 2028 and this would become 31 March 2029. With no extension, we would be starting analysis from August 2026. For one year extension would need to start analysis in August 2027. To incorporate any changes to the approach for the simple method we would need to know any changes to make to the simple method approach by August 2027. The probability of needing a two-year extension would rest on the efficacy of the decision and implementation processes.</p> <p>The deferral would remove risk of confusion for Customers and potentially wider participants from involvement in parallel change processes under the TPM via Transpower’s Operational Review and via changes to modelled regions and benefits allocators under the Simple Method. The deferral also means any substantive changes arising from the Operational Review can feed into the next available update and remove risk of potentially changing allocations twice in a relatively short period. A further consequential benefit is Transpower Grid Pricing personnel would be fully available for the Operational Review.</p> <p>Extending the first (current) Simple Method period until the Operational Review process is complete is a pragmatic approach to managing the two processes to ensure:</p>
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<sup>1</sup> Working Group [TPMReview ToR FINAL.pdf](#)

- Customers and potentially wider participants are clear on there being two change processes one after the other that will need their engagement, rather than in parallel
- the Simple Method process does not unduly impact participant perceptions of, and appetite for, engagement with the TPM Operational Review, including the Authority's role in that review process
- that any changes to the Simple Method approach arising from Workstream 2<sup>2</sup> occurring later in 2026, can be given effect for the second Simple Method period.

**Effect of deferral on allocations derived from regional benefits**

The Simple Method uses the same regional and individual allocators – as proxies for benefits – for the entire Simple Method period. The current period is five years, and our proposal would extend that to six years (and possibly seven). The additional year(s) would retain the existing regional and individual allocators.

The covered costs to be allocated for PY28/29, would be based on the allocators to each Customer for the 21 Simple Method regions established for PY23/24 to PY27/28. For the first period from April 2023 (being the start of the new TPM), the benefits regions and allocators were established using five years of power flows data from 1 September 2016 – 31 August 2021.

Deferral would also mean the regions and benefits allocations for the second period would be assessed using data from a five-year period (1 September 2022 – 31 August 2027). This means a gap of one year between CMP C for the first period and the CMP for the second period. We consider this gap is inconsequential for the power-flows method used to establish the simple method benefits regions, because average and prevailing grid power flows are enduring over these long measurement periods of five years.

To demonstrate this, we conducted a dry run of the simple method BBI calculation for the capacity measurement period from 1 September 2018 to 31 August 2023. This period differs by two years from the CMP used for the current simple method period.

The results show that the ranking of simple method contributions (calculated under clause 64(5) of the TPM) from beneficiary regions to an investment region — ordered from highest to lowest — generally remains stable. Where changes do occur, the differences in SMC values are not material. The results can be seen in Attachment C.1 – Analysis of power flows in simple method regions.

<sup>2</sup>

The review of the BBC simple method is indicated for December 2026 [TPM Operational Review](#)

	<p>As SMC is a proxy for regional net private benefit (RNPB) under the simple method BBI and is derived from power flows, these results indicate that power flows have not changed significantly</p> <p>We are also confident that the regional and intra-regional allocators, as proxies for benefits, should remain materially appropriate for an additional year(s) (as the current method for allocating benefit). This is because the prevailing power-flows used for the regions creation and benefits assessments are generally enduring. (However, to be certain on that, we would need the undertake the Simple Method update process itself, a process that we seek to defer for one year (at least) for the reasons above.)</p> <p>The reason for the deferral is to avoid running two processes in parallel, where one of those processes, the Simple Method update, could need to be re-run should decisions made under the Operational Review affect the approach.</p>
<p><b>2. Category of request</b></p> <p>State whether you think the request is minor, medium or complex, and why (applying the criteria in the Guidelines [insert link]).</p> <p>For minor requests, specify whether you think the nature of the amendment is technical and non-controversial.</p>	<p>We consider this proposal is more than “technical and non-controversial” but is a minor policy change. We consider the risk to benefits assessments now being misaligned with cost allocations is minor and unlikely to create inefficient operation or investment decision assuming that prevailing grid flows over the long time periods used for the benefits’ assessments, are generally enduring.</p> <p>The effect of the extension to the first Simple Method period is that Transpower pricing system (TPS) does not yet need to be amended. Further, any TPS amendments account for any changes arising from decisions made through the Operational Review.</p>
<p><b>3. Clause(s) to which the proposal relates</b></p> <p>If the proposal relates to existing Code clause(s), state the full clause reference/s here.</p> <p>If the proposal relates to a new clause, state where you think this would best fit in the Code.</p>	<p>Clause 60(1)(a)</p> <p>60 Simple Method Periods</p> <p>(1) Subject to subclause (2), the Simple Method periods are</p> <p>(a) the period starting on 24 July 2019 and ending at the end of the fourth pricing year after the <b>first pricing year</b>; and</p> <p>(b) each period of 5 pricing years immediately following the end of the previous Simple Method period.</p>
<p><b>4. Description of the proposed amendment</b></p> <p>Describe the Code amendments you are proposing (or attach a draft of the proposed Code amendment when submitting this form).</p> <p>Note: if you are providing draft wording of the proposed Code amendment, see the <a href="#">Code drafting manual</a> for guidance.</p>	<p>We propose that clause 60(1)(a) of the TPM be amended to extend the current Simple Method period to the end of PY2028 (i.e. 1 April 2028 – 31 March 2029) or to the end of PY2029 (1 April 2029 – 31 March 2030).</p> <p>Please refer to a marked-up copy of the TPM:</p> <p>Appendix G – Proposed drafting changes: Simple Method Period Extension</p>

<p><b>5. How the proposal supports the Authority's main objective</b></p> <p>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.</p> <p>If the proposal is not expected to impact a limb of the main objective, use "No impact on this limb"</p> <p>See <a href="#">section 15(1) of the Act</a></p>	<p><b>Efficiency:</b></p> <p>This proposal promotes <i>efficient operation</i> through better utilisation of resources both for Transpower and Customers and potentially wider participants, by enabling:</p> <ul style="list-style-type: none"> <li>• the processes and outcomes from the Operational Review to be distinct (in scope and timing) from the processes and outcomes of the analysis for the Simple Method benefit-based charges, enabling clarity for Customers and potentially wider participants on the two processes;</li> <li>• the outputs of the Operational Review to be reflected as appropriate in the subsequent processes for the Simple Method; and</li> <li>• avoiding waste of resource for Customers and potentially wider participants if two Simple method processes had to be run; instead of one process that can reflect any changes under the Operational Review.</li> </ul>
<p><b>6. Application of the Authority's additional objective</b></p> <p>Identify whether your proposal relates to the dealings of industry participants with domestic consumers and small business consumers.</p> <p>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.</p> <p>See sections 15(2)-(3) of the Act</p>	<p>N/A</p>

<p><b>7. How the proposal complies with section 32 of the Act</b></p> <p>The Code may only contain provisions which are necessary or desirable to promote specific matters listed in <a href="#">section 32(1)</a> of the Act which are:</p> <ul style="list-style-type: none"> <li>a) competition in the electricity industry</li> <li>b) the reliable supply of electricity to consumers</li> <li>c) the efficient operation of the electricity industry</li> <li>d) the protection of the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers</li> <li>e) the performance by the Authority of its functions</li> <li>f) any other matter specifically referred to in the Act as a matter for inclusion in the Code.</li> </ul> <p>Identify which of the section 32(1) matters listed in the adjacent column your proposal relates to.</p>	<p>This proposal promotes the efficient operation of the electricity industry by making it clearer and more understandable for Transpower’s Customers and potentially wider participants, that any changes to the TPM – and therefore Customer prices – arising from the operational review, can be reflected, as appropriate, in the future change process for customer allocations for low-value benefit-based investment under the Simple Method.</p> <p>If the change process for Simple Method allocations was to proceed as per the current Code, then</p> <ul style="list-style-type: none"> <li>• Running two processes would be duplicative on our Customers and potentially wider participants and potentially other participants’ time and cognitive attention to each process</li> <li>• The Simple Method process could unduly impact participant perceptions of, and appetite for, engagement with the contiguous TPM operational review including the Authority’s role in that</li> <li>• Any changes to the Simple Method approach under Workstream 2 of the operational review (later in 2026) could mean the simple method would need to be re-run again, just one or two years after the analysis and results from the Simple Method in compliance with the Code timing.</li> </ul>
<p><b>8. Affected parties</b></p> <p>Who is likely to be substantially affected by the proposal?</p> <p>They could include other participants (such as generators, distributors metering equipment providers, intermittent generation owners), consumers, market operation service providers.</p>	<p>Transpower will be positively impacted by this proposal by</p> <ul style="list-style-type: none"> <li>(i) Allowing its specialist pricing resource to be focussed on the operational review and assisting Customers and potentially wider participants when they engage with that review (e.g. by being available to the working group)</li> <li>(ii) Avoiding duplicate change processes due to the overlap of the Operational review timing with the review cycle for the Simple Method connection regions and regional and Customer allocators</li> </ul> <p>All of Transpower’s Customers and potentially wider participants will be positively impacted by this proposal, based on the avoided costs of having to engage both with Transpower’s own operational review, and also with contiguous consultation on the Simple Method that could then need to be consulted on again should changes under the Operational Review affect the Simple Method process. These avoided costs include duplicate resource, comprehension, and internal governance processes.</p>

<p><b>9. Urgency</b></p> <p>Identify whether you consider your proposal to be urgent (providing supporting rationale).</p> <p><a href="#">Section 40 of the Act</a></p>	<p>Not urgent to the extent of the Act, but this proposal needs to be decided on as soon as possible so that Transpower can be confident that it does not have to initiate the Simple Method review process by October 2026 (for prices from April 2028).</p>
<p><b>10. Support for the proposal</b></p> <p>Do you consider there is widespread support for your proposal among the people likely to be affected? If so, provide supporting rationale.</p>	<p>For Transpower’s Operational Review process, Transpower sought views through its industry working group.</p> <p>The IWG is represents a cross-section of TPM stakeholders with expertise from across the electricity system.</p> <p>From Transpower’s consultation paper<sup>3</sup></p> <p><i>“The IWG understands why Transpower would like more time before the start of the second Simple Method period – the calculations are complex and unpredictable, may be affected by the outcomes of the Operational Review, and draw on the same resources within Transpower. The IWG supports Transpower’s intention to consult on deferring the start of the second Simple Method period until completion of the Operational Review.</i></p> <p>From submissions, eight parties explicitly supported the proposal, with one objecting.<sup>4</sup></p> <p>We consider the consultation is evidence of majority support for our proposal. We agree the Simple Method allocations should be regularly updated but assume that a short time extension should not materially change those allocations due to the enduring nature of prevailing grid flows and the robustness of the methodology to identify regions.</p> <p>While Meridian objected to the proposal on the basis that it was a resourcing issue rather than an issue with the TPM, our primary concern is to ensure that our Customers and potentially wider participants will not need to engage with the Simple Method update while the operational review is underway and then again should there be changes to the Simple Method arising from the Workstream 2 considerations.</p>

<sup>3</sup> [Transpower TPM programme external - TPM Operational Review 2026 - Consultation Document.pdf](#)

<sup>4</sup> [Transpower - summary of submissions - TPM OpRev26 - FINAL VERSION.pdf Supported by ENA, IEGA, MEUG, Orion, Unison and Centralines, Vector and Westpower. Meridian objected to the proposal.](#)

<p><b>11. Prior consultation</b></p> <p>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.</p>	<p>Yes, we consider there has been adequate prior consultation on the proposal with all relevant views considered.</p> <p>Many of our Customers and potentially wider participants directly engaged with the issue, plus ENA representing all our Distribution Customers and potentially wider participants, and MEUG representing large users. The IEGA represented Distributed Generators. Two non-Transpower parties also directly engaged and supported the proposal.</p> <p>Two avenues of prior consultation:</p> <ul style="list-style-type: none"> <li>• First: Views sought through the Operational Review working Group (above), who supported the proposal.</li> <li>• Second: views sought through Transpower’s consultation (refer footnote) on the proposal. See above.</li> </ul>
<p><b>12. Other relevant information</b></p> <p>Is there any other relevant information you would like the Authority to consider?</p>	<p>Yes. Attachment C.1 is an excel sheet of results from Transpower doing power flow analysis for simple method period 1 with a “dry run”. The dry run covered capacity measurement period (CMP) 1 September 2018 to 31 August 2023, which differs by two years from the CMP used simple method period 1 (September 2016 to August 2021). (We acknowledge that updating the simple method for real will use discrete periods).</p> <p>Comparing the two flow analyses, the rank of beneficiary regions to an investment region remains (in the main) the same order. This stability means power flows are enduring between the periods.</p>

## 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.

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

(Refer Chapter 10 of Workstream 1 cover paper, "Simple Method extension" Option A)

<p><b>13. Costs of the proposal</b></p> <p>Identify the expected costs of the proposal, including:</p> <ul style="list-style-type: none"> <li>• your assessment of the direct cost to develop and implement the proposed Code amendment, and</li> <li>• the consequential costs as a result of the amendments.</li> </ul>	<p>Direct costs of the code change proposal process ~ \$10k</p> <p>We consider any <i>economic cost</i> arising from not changing allocations under the simple method for a further year, would be costs that arise from parties making changes to their decision-making. No party has indicated this as an effect; in contrast, it is the issue that the Simple Method allocations keep changing with adjustment events that is causing concerns for decision-making.</p>
<p><b>14. Benefits of the proposal</b></p> <p>Identify the expected benefits of the proposal</p>	<p>The direct benefits are the <i>avoided costs</i> of potentially duplicate change processes for Simple Method allocations for Transpower and its Customers and potentially wider participants (a change process under the current Code, plus any revised change process arising from the TPM operational review).</p> <p><i>Benefits of clarity and comprehension</i> for Customers and potentially wider participants from two TPM change processes being discrete and not at a similar time, to enable better understanding by the Customer of the consequences of each of the change processes to their prices and to pricing processes more generally. We consider this benefit is not quantifiable but significant to ensuring the TPM is durable.</p>
<p><b>15. Net benefit of the proposal</b></p> <p>State whether you consider the proposal has a positive net benefit, and why.</p>	<p>We consider the proposal will have a sizeable positive net benefit as the avoided costs from being able to defer the Simple Method analytical process and the Customer communications occurring for that – while the TPM operational review is in train – outweighs the administrative costs of the Code Change process.</p> <p>We consider no economic costs arise from our proposal (in the sense that Customers and potentially wider participants being charged according to an assessment of benefits that need to apply for an additional year, causes grounds for those Customers and potentially wider participants to alter their operational or investment behaviours in inefficient ways).</p> <p>The net benefit of the proposal is based on transaction cost savings only.</p>

## Assessment of alternative options

	<b>Alternative means of achieving proposal's objective</b> <i>(repeat column as necessary)</i>
	This option appears in Chapter 10 of the cover paper for Workstream 1 <i>extend simple method period</i> , as "status quo"
<b>16. Describe alternative option</b>  Include a brief description of any alternative means identified of achieving your objective	Move resources away from the operational review, to comply with the Simple Method update timing.
<b>17. Identify extent to which the alternative would achieve your objective</b>	The alternative would not achieve the objective.
<b>18. Affected parties</b>  Who is likely to be substantially affected by the alternative?	Transpower and its Customers and potentially wider participants.
<b>19. Expected costs and benefits</b>  Please include direct costs to develop the alternative and consequential costs and benefits to all affected parties	<b>Costs:</b> Transpower is unlikely to find contractors with the skill and expertise to undertake both processes so there will be an expertise loss to the operational review process, and a duplicative process cost to Customers and potentially wider participants being asked to engage both with the operational review and the simple method update.
<b>20. Why do you prefer the proposal over this alternative?</b>	Our proposal is preferred so that Transpower avoids running two processes that would be duplicative on participants' time and cognitive attention to each process, especially if any changes to the Simple Method approach under Workstream 2 of the operational review (later in 2026) could mean the simple method would need to be re-run again (and require engagement again).

	Option B in Chapter 10 of Workstream 1 <i>Extend the simple method period by two years.</i>
<b>16. Describe alternative option</b> Include a brief description of any alternative means identified of achieving your objective	Extend the simple method period by two years.
<b>17. Identify extent to which the alternative would achieve your objective</b>	The alternative would achieve the objective.
<b>18. Affected parties</b> Who is likely to be substantially affected by the alternative?	Transpower and its Customers and potentially wider participants.
<b>19. Expected costs and benefits</b> Please include direct costs to develop the alternative and consequential costs and benefits to all affected parties	<p><b>Benefits:</b> We consider the benefits remain the same (avoiding duplicative process cost to Customers and potentially wider participants being asked to engage both with the operational review and the simple method update.)</p> <p><b>Costs:</b> There could be a larger loss of precision if the cost allocations made under the first simple method period risk becoming more misaligned with Customers benefits. However, given that the aim of deferral is to ensure any changes arising to the Simple Method approach for the benefits' assessment can be incorporated into the update, we consider the TPM should allow for the possibility that decisions made under the CAR processes and any consultations can might not be ready for August 2027 (which is when the next simple method analysis would need to start, for prices from April 2029.)</p>
<b>20. Why do you prefer the proposal over this alternative?</b>	The proposal is preferred to ensure less loss of precision, but we consider it pragmatic to have a back-up timing approach to ensure any decisions about the simple method approach can be incorporated into the (single) simple method update.

## **Attachment C.1 – Analysis of power flows in simple method regions**

(submitted as a separate pdf)