19 Mar 2026

TPM Operational Review
Transpower
22 Boulcott Street
Wellington 6011

Via email: tpmreview@transpower.co.nz

Subject: TPM Operational Review Consultation

Thank you for the opportunity to comment on the first phase of the Transmission Pricing Methodology (TPM) Operational Review.

The TPM has significant consequential impacts on generation and load investments, and therefore has a significant, but indirect, impact on future electricity costs[1]. It is essential that we improve the TPM because it is deeply flawed (as shown by the Post Implementation Review[2]).

Scope of the review and summary of our submissions

Our overall view is that the scope of the current Operational Review is far too narrow. The issues with the TPM are deep-seated and fundamental - incremental changes are therefore not the best way forward. It puts the cart before the horse – the minor tweaks that Transpower is proposing will only need to be reworked again in future if/when the real issues with the TPM are addressed.

We therefore only support the minor change of 'batching of adjustments', and encourage Transpower to work with the Electricity Authority to rescope the TPM review to a much wider and fundamental review.

We understand that a more fundamental review of the TPM may be beyond Transpower's remit alone. However, Transpower can collaborate with the Authority, and resolve this.

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[1] The TPM is inextricably linked to grid expansion (as shown by 'anticipatory upgrades'), and therefore the TPM has an impact on the types and locations of generation that can be added to the grid. The TPM is blind to what generation is actually needed for least-cost energy, yet the TPM arbitrarily encourages and discourages various generation options.

[2] Excerpt from the PIR Summary Report: *"Considering stakeholder feedback and discussions, it appears unlikely the TPM is realising the hoped for benefits3 at this point and unclear whether, without refinement, the TPM will yield the hoped for benefits in the foreseeable future. Concerningly, it is possible the TPM is increasing, not reducing costs to consumers and impeding, rather than supporting the transition to a low-emissions economy."*
https://static.transpower.co.nz/public/uncontrolled_docs/TPM%20PIR%20-%20summary%20report.pdf?VersionId=MlG3bDWxN.kf3UNqqxflz2i9LsjbFbdY

Re-opening the TPM is a daunting task, and we understand the challenges of doing so. However, the TPM is driving such poor outcomes that it is best to resolve it sooner, rather than just ignoring the inefficiencies and distortions.

In terms of the problems with the TPM we note:

- The TPM Post Implementation Review summary report outlines many issues, and even defines a new acronym (CVU) highlighting how often the words 'Complexity, Volatility, and Unpredictability' need to be used when discussing the TPM

- The TPM is a known barrier to electrification (decarbonisation) of heat plant, particularly an issue for plant that is wanting to transition away from increasingly expensive and unreliable gas

- The TPM is a barrier to grid expansion - the issues arising from the Tararua Anticipatory Investment make this abundantly clear. It is untenable for local load to bear all of the costs of an upgrade which actually benefits all load in New Zealand and also the 1,000 MW of generation that the upgrade enables.

To summarise, the current TPM is a barrier to electricity affordability, emissions reductions, and allowing new load and generation to connect to the grid. These are the core issues facing the sector, and if left unresolved they will negatively impact the wider economy. The current TPM needs to be fundamentally over-hauled, not incrementally tweaked.

Consultation questions

Questions 1-3:

Our views on questions 1-3 are encapsulated by the summary above. The operational review needs a much broader scope, and to focus on the more substantive issues within the TPM. We understand that there is a desire to get some 'quick wins', but we disagree with this approach. It wastes time as it will likely result in significant rework when larger issues with the TPM are addressed.

Question 1	Do you have any comments on the process, timing and/or prioritisation of each of the Operational Review workstreams?
Question 2	Are there any other matters we should consider as part of the Operational Review?
Question 3	Are there any matters we should specifically exclude from the Operational Review?

Questions 4-5:

We support the 'batching' of price adjustments (with a 30 June effective date) as proposed in the consultation. We support this because it is urgently needed to ensure that Transpower's Pricing Team can actually get through the work load that the TPM causes. We understand that this resolves the majority of the workload/timing issues for the Pricing Team.

8.1.4 Transpower's preliminary proposal

Transpower's initial view is that batching of adjustments and treating most adjustments as occurring on 30 June (option 1 above) is the preferred option. Our initial view is that this would best balance "the economic benefits and costs of precision with the economic benefits and costs of practical considerations" (as per clause 1b of the TPM Guidelines).

Question 4 Do you agree with the proposed amendment - batching of adjustments with a deemed 30 June event date? **Question 5** Are there any other options to simplify adjustment events timing that we should consider?

Questions 6-8:

We oppose the proposal to increase the 'large plant' threshold. This change would cause boundary issues, and subsequent distortions to arise from the TPM, likely encouraging inefficient embedding of generation. The issue arises because (predominantly embedded) generation that is below the threshold is treated differently to other generation (net versus gross) for charge calculations.

We see this being inefficient, and also in conflict with the intent of TPM which aims to treat loads (and generation) as 'gross' where possible to avoid this type of dynamic inefficiency from netting embedded generation against load (i.e. inefficient incentives to locate generation). We believe that Transpower underestimates the inefficiency related to embedded generation caused by the threshold in this area.

It is our view that the 'batching' solution resolves the majority of the Transpower Pricing Team's workload issue, and that we should focus any additional efforts on the much more substantive issues in the TPM.

Question 6 Do you support (i) increasing the "large" plant threshold, or (ii) annual IRA updates? Which option, if either, do you prefer and why? **Question 7** If Transpower proposed raising the threshold for "large plant", what threshold(s) do you consider would be appropriate? **Question 8** Are there any other options to address trigger/threshold sensitivity we should consider?

Options we have identified to address these issues are:

1. **Remove all embedded plant adjustment events:** This would limit adjustment events to only changes arising from plant connected to the grid. This would reduce transaction cost and complexity for Transpower (and customers) but would create an incentive to embed new plant versus connecting it to the grid.

2. **Increase the threshold for adjustment events:** Adjustments are triggered by "large" plant connections, disconnections, upgrades and de-ratings, defined as any plant connected to the grid or embedded plant ≥ 10 MW. Transpower considers this threshold is too low, based on real applications in its connection queues.

3. **Replace BBC adjustment events with an annual Intra-Regional Allocator (IRA) and customer allocation update:** The adjustment events based on plant connection, disconnection, upgrade or de-rating, the substantial sustained increase (**SSI**) adjustment events, and the adjustment events based on new or changed points of connection and sale of business would be replaced with a once-a-year recalculation of IRAs for each customer location.

Questions 16-18, and 19-21:

These questions start to deal with the more substantive issues in the TPM. However, we do not see these as separate issues. In our view the underlying problem here can be generalised to cover the various issues such as 'first mover-disadvantage', 'disconnecting from a shared connection', and 'anticipatory build of transmission'.

The commonality of these scenarios is that a third party (or parties) is making a decision that is materially affecting the transmission charges of other grid users. These examples highlight the arbitrary and highly uncertain nature of the current TPM.

These issues need to be addressed, but in a wholistic, rather than incremental manner. We suggest re-scoping the review to better address these types of substantive issues.

Specifically regarding Question 16, we do see disconnection being a material problem arising from the TPM, and unfortunately we can see scenarios where the TPM could cause inefficient disconnections.

Specifically regarding Question 19, we do see anticipatory investments being needed (in fact essential) for least-cost delivered electricity. However, we also see the current TPM as being a major impediment to anticipatory investment. The Tararua anticipatory investment example highlights that the status quo is untenable. The Tararua anticipatory investment (even if it were a good idea[3]) cannot proceed under the current TPM because the ensuing allocation of costs would be highly inequitable and politically untenable.

[3] Contact's analysis of delivered electricity costs suggests that the Tararua Anticipatory Investment is suboptimal, and will result in higher costs for consumers compared to other core grid transmission investments. We will engage with Transpower on this topic separately.

The status quo option would perpetuate inequity and misaligned investment incentives and is **not preferred** by Transpower.

Question 16 Do you agree that disconnection from a shared connection location creates a problem for remaining customers at that location? Do you think this is or could become a material problem? **Question 17** What other options do you think should be considered? Are these options consistent with the intent of the TPM Guidelines? **Question 18** Do you think that this is a matter that could/should be addressed through the Operational Review?

Question 19 Do you agree that anticipatory investment in interconnection assets can create first mover disadvantage problems? Do you think this is or could become a material problem? **Question 20** What options do you think should be considered? Are these options consistent with the intent of the TPM Guidelines? **Question 21** Do you agree that this is a matter that could/should be addressed through the Operational Review?

Questions 26:

We agree that the TPM is fundamentally flawed, and that the Operational Review is needed. However, we do not agree with Transpower's incremental approach. We encourage Transpower to talk with the EA and find a way to undertake a more substantive review of the TPM.

The current proposal from Transpower assumes that relatively minor changes can give rise to a material improvement in the TPM. We strongly disagree with this view. We see any time spent on minor and incremental changes as wasted time. We expect that this will just lead to re-work, or worse, to the substantive issues with the TPM never being addressed.

Question 26 Do you agree with the overall objectives of the proposed TPM Operational Review?

Yours sincerely

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