

Meeting date: 10 February 2026
Feedback to Transpower

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Head of Grid Pricing
Transpower
By email

13 February 2026

Dear Victoria

Independent Work Group (IWG) - Feedback to Transpower

The IWG had its second substantive discussion on 10th February. The objectives for this meeting were to consider further information provided by Transpower in relation to adjustment events, consider remaining matters from the 2nd February meeting and provide firmer views to Transpower in each area.

The IWG is finding its rhythm, with increasingly vigorous discussion between members and engagement with Transpower presenters. Some of the issues considered are complex and technical in nature – while the answer to a particular problem may seem obvious, it is necessary to properly understand the issues before reaching a conclusion. The IWG appreciates the guidance of Transpower’s pricing experts in this process.

Substantive matters

Adjustment events: Transpower provided most of the additional information the IWG asked for. This was helpful in assessing the problem, options for addressing this and reaching the firmer view outlined below.

The group recognises and is sympathetic to the situation that Transpower, and to a lesser extent customers, are in as a result of the growing number of adjustment events and the process for applying these adjustments. The IWG discussed several options, these are outlined below with a summary of IWG discussion and views.

1. Exclude all embedded plant from 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 is likely to (a) increase incentives to embed plant to avoid transmission costs (b) create a competitive advantage for embedded plant over grid connected equivalents.

2. Increase the threshold for adjustment events

Adjustments are triggered by “large” plant defined as plant connected to the grid or embedded plant that could viably connect to the grid, the latter is defined as plant >10MW. Inclusion of large, embedded plant is intended to avoid incentives to inefficiently embed plant to avoid transmission costs.

However, adjustment events are more frequent than expected, more onerous to manage than expected, expect to increase over time and create uncertainty and complexity for Transpower’s customers.

Analysis by Transpower indicates that plant smaller than 25MW is unlikely to connect to the grid except under particular circumstances. Transpower's connection queues show:

- Only 1.6% (2) of the 125 projects in Transpower's generation queue are <25MW while 123 (98.4%) are 25MW or larger, with 87% > 50MW
- The two named non-EDB offtake projects are for 120MW and 80MW respectively while the three 3 data centre projects listed have capacity of 300MW, 150MW and 200MW.

It may still be viable for smaller plant to connect to the grid, for example:

- It relates to expansion of capacity at an existing site that is already connected to the grid
- There is no distribution network in the area to connect to (or that network lacks capacity)

However, in these instances network connection decisions are less likely or unlikely to be altered for transmission price avoidance reasons.

The IWG noted that on the basis of the evidence above, the threshold could be increased, and this would reduce the number of adjustment events. However, this risks creating a new 'boundary issue' wherever the threshold is set and increased the risk of creating a competitive advantage for embedded plant over grid connected plant.

While the IWG did not rule out a change to the threshold, this appeared an unnecessary complication in light of option 3 (below), which would better address the underlying issue.

3. Batching of adjustments

At present, Transpower processes each adjustment at the time it becomes aware of the event. This creates compounding complexity for Transpower's pricing function, with flow on to its customers, for relatively little change to prices in the year of commissioning.

If Transpower 'batch processed' all adjustments within a given year when performing its annual pricing calculations it would almost entirely address the problem, significantly reducing complexity and transaction cost for itself and its customers. These calculations would be performed using a new 'pricing grid' that reflected all the events requiring adjustment within the preceding period, and be used to set prices for the following pricing year.

The group unanimously preferred this option to alternatives. On the evidence presented, it addresses the problem - without the potential downsides of other options - and the short term deferral of BBI charges for new large plant was competitively neutral [and has precedent with the transitioning in of residual charges for new large plant].

The IWG also discussed:

- a variant on this whereby adjustments would be batch-processed but in a sequence that captured the precise date the event occurred. This would allow a 'wash-up' into subsequent year prices. However, this option concentrates the analytical task for Transpower (worsening rather than alleviating its problem).
- A combination of options 2 and 3. Not preferred due to downsides of option 2.

The IWG understands Transpower will update its analysis to reflect this discussion and present its proposals for consultation to the IWG on 18th February.

The IWG:

- Discussed whether there would be a loss of granularity / information to inform distributor pricing (for embedded generators), Transpower indicated this would not be the case. Transpower to confirm.
- noted Transpower's prior statement that it does not have ready access to metering data and, though it has extensive interactions with EDB customers, there is currently no obligation on EDBs to inform Transpower that a large offtake plant has connected.

Emerging connection issues

Disconnection from a shared location: [retained unchanged from feedback after the 2nd February meeting]

As a matter of principle IWG considers 'lumping' remaining customers at a shared location (when one or more parties disconnects) with the entirety of costs for that location inefficient and unfair. The situation is analogous to 'first mover disadvantage' scenarios, though worse in the sense the remaining customer was, isn't and never will be given the option not to connect prior to committing its investment.

The IWG understands this is not a "new TPM" issue, rather an artefact of initial drafting for connection charges which has, until recently, not been realised in practice. IWGs clear view is that change is required here and that, if such risk cannot be borne by Transpower itself, this should be borne by all consumers via the residual charge or via all connection charges.

Anticipatory investments:

1. Cost of BBI investment falls on local offtake customers

IWG considers safeguards are needed for such investment to avoid "regrettable" investment, for example, a level of contractual commitment from generators prior to investment commitment by Transpower. However, where such investment does not occur, IWG agrees it is inappropriate for only offtake customers in the relevant region to bear investment costs expected to be shared by connecting generators.

IWG accepts that, ultimately, all offtake customers benefit from generation investment and are likely best placed to bear the risk that expected generation does not materialise when expected.

It was unclear from the presentation whether the current situation (costs born by offtake customers in the relevant region) is intentional (which might alter IWGs view), or an artefact of how benefit-based-investments are priced.

It would be helpful if Transpower could clarify this for the IWG meeting on 18th February.

2. First mover disadvantage: type 1 issues

Subsidiary issue: funded asset component and rebate for large, embedded plant.

IWG discussed the issue but did not reach a firm view. It suggested that Transpower clarify whether the issue was likely to result in inefficient investment decisions (which the IWG acknowledged is possible). This will help establish whether a change is warranted options identification / assesment.

3. First mover disadvantage: type 2 issues

The IWG was not entirely clear on the 'problem' being presented here or whether Transpower had a clear view of how it might be addressed. To the extent there is a problem, it appeared to be a modest equity issue.

To the extent Transpower considers this to be an issue, it could raise the matter in its pending consultation - without necessarily putting up options or a preferred solution – to test stakeholder views.

Housekeeping

1. Second simple method BBI period

The IWG understands why Transpower is reluctant to commence calculations for the second simple method period, due to commence in 2028. The IWG understands that:

- no person can reliably predict the outcomes of these recalculations and therefore is not incentivised to expedite or defer the work.
- the work is a significant undertaking that will be affected by the outcomes of the operational review and draws on many of the same people.

The IWG agrees with Transpower that calculation of second simple method BBI charges should be paused until completion of the operational review.

2. Drafting hygiene

The IWG agrees that as part of the operational review, non-consequential drafting hygiene to remove time-bound / obsolete text from the TPM can be undertaken by Transpower.

General comments and next steps

The IWG asked that Transpower be clear whether it saw particular issues as impacting efficiency, inequitable or both and what Transpower's view of a preferred solution is, to the extent it has one.

Given the basis for the operational review (excessive complexity), the IWG is reluctant to endorse the addition of further prescription and adjustment mechanisms, particularly for "edge-cases" and/or where pricing is already above incremental cost and below standalone cost. To the extent a particular situation might prevent connection or incentivise disconnection, the prudent discount mechanism should be considered.

The IWG trusts that this feedback is useful to Transpower. IWG will meet again on 18th February and, at that meeting expects to:

- consider Transpower's proposals for consultation and cost benefit analysis, if available
- discuss Transpower's consultation plans with the objective of improving the accessibility of materials and effectiveness of consultation
- commence planning for the next stage of review.

I acknowledge and thank IWG members for their responsiveness, time commitment, constructive engagement and insight.

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Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'J' followed by a 'C' and a horizontal line extending to the right.

Jeremy Cain – on behalf of the TPM industry working group