

Victoria Parker
Head of Grid Pricing
Transpower
By email

12 June 2026

Dear Victoria

Independent Work Group (IWG) - Feedback to Transpower

On 28th May the IWG met to complete the last part of the BBC education session and discuss approach / scope for the BBC workstream.

Education sessions

The IWG had six hours of in-depth BBC education sessions with Transpower's pricing and grid investment teams. The aim of the education sessions was to give all members a firm understanding of the two BBC methods and their application.

Going into the education sessions, members were confident explain the BBCs in concept – the policy level explanation provided by the Authority. However, none could confidently explain how the charges actually worked or how charges might change in response to their actions or the actions of other grid users (including Transpower).

Having completed the sessions:

- members appreciate time given by Transpower experts and the ability to probe and clarify how the simple and standard methods operate
- the sessions were valuable, mostly in revealing the intricacies of the charges and demonstrating just how complex both methods are, and concerns in attempting to reconcile the output from the two.
- no member was able to confidently explain how the charges worked or might change in response to their actions or the actions of other grid users (or Transpower).

The IWG is concerned that this could be the case for a group of sector experts with a direct interest in transmission pricing, access to dedicated briefings and discussion with Transpower.

No member was able to, or was aware of any party outside of TPM component specialists within Transpower, that was able to replicate or even approximate BBC charge outcomes. In this context, members queried whether *anyone* in New Zealand truly understands the BBCs or the price signals they seek to provide.

Approach and scope for BBC workstream

The IWG notes the high-level objectives for the BBC workstream and agrees that *customers and potential investors must be able to easily understand and forecast their benefit-based charges*. The ability to easily understand and forecast BBCs underpins the ability of those charges to deliver the policy objective but also, crucially, to avoid distorting investment decisions.

The IWG discussed first-hand experience of transmission charge, specifically BBCs, impeding investment in new generation and offtake. While transmission charges may represent a relatively small part of project costs, it has a direct impact on those within the deemed area-of-benefit and can represent material ongoing charges especially for load. It is a risk that cannot currently be mitigated. The natural reaction is to assume a worst-case scenario, raising the investment threshold – delaying investment commitment or resulting in projects simply not proceeding.

The IWG noted the basic analytical approach proposed by Transpower, which is conventional and reflects good policy making practice, and stressed the importance:

1. defining the problems robustly before progressing to options development
2. alignment on problem definition with the Authority.

The IWG is particularly concerned about the second point. We suspect that the fundamental problem is excessive complexity – and the main driver for that complexity is pursuit of precision, at the expense of practicality and risk of policy failure. It is not yet clear that the Authority understands how impractical the BBCs are, or the consequences of that impracticality for policy efficacy and efficient for investment.

The IWG discussed with Transpower how it could best be utilised, including to:

- through interviews and sharing first-hand experience
- as a sounding board through the analytical stages
- as a sanity check / reviewer of the product of that work.

Virtual meetings provide flexibility and minimise time / cost commitments but should be complemented by in-person workshops at key junctures. Members reiterated the value of receiving materials in advance of meetings.

General comments and next steps

The IWG trusts that this feedback is useful to Transpower. We look forward to engaging further as Transpower shapes up its problem definition and progresses the BBC workstream.

Meeting date: 28 May 2026
Feedback to Transpower

The IWG will meet on 18th June (virtual) and 1 July (in-person) at Transpower's offices in Wellington.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JC' followed by a long horizontal stroke and a small dot below it.

Jeremy Cain – on behalf of the TPM industry working group