TRANSPOWER

TPM Operational Review – IWG

Meeting #1

2 February 2026

Preface

Note from Jeremy to IWG:

- This is the first IWG meeting, and we will learn from this experience. I expect we will want more time for discussion than the 2-hour time allows and have the option for a follow up discussion. We do not need to discuss every slide, for example, Transpower's responses to questions raised at the induction.
- There will be an observer from Transpower and the Electricity Authority, they are not expected to participate as their role is to stay abreast of developments / thinking. There will be presenters from Transpower, you are encouraged to engage with the presenters to ensure clarity / test their thinking and your understanding.
- There is a short members only slot at the start and end of the meeting. The latter is an opportunity to reflect on this meeting, decide where adjustments are needed, confirm plans for the next meeting.
- On substantive matters, Transpower will give a brief presentation and then open for discussion – akin to a steering or governance group meeting. After discussion, I will facilitate (and type) a short session to capture the group's advice / feedback to Transpower. There are three groups of issues:
    1. **Adjustment events:** Transpower thinks the timing (within year) is problematic and threshold (10MW) for embedded plant adjustment is too low, creating uncertainty for customers and drive excessive administrative costs. They think a higher threshold (or excluding DG from adjustments) and applying adjustments as part of the annual pricing round would significantly reduce complexity, uncertainty and transaction costs with minimal impact on precision.
    2. **Emerging connection issues:** Transpower has identified (with customer input) several current and potential issues with customer connecting (or disconnecting) and the operation of the first mover disadvantage provisions. They don't currently have firm views on how to address these, or whether these matters should be referred to the Authority to address.
    3. **Housekeeping:** Transpower thinks there are interdependencies with the scheduled updates to simple BBC charges (planned to start later this year) and this review. It wants to defer the simple BBC updates. Transpower has also identified drafting tidy-ups, such as removing provisions relating to the pre-commencement period and implementation, that will improve accessibility of the TPM.

Sections 3-8 of the agenda deal with the substantive items and their wrap-ups. The appendix includes Transpower's provisional thinking on options for addressing the various issues. These are included for information, but are not intended to shape your thinking or constrain the discussion.

Agenda

	Description	Start	Time	Pages	Attendees
1	Attendance, minutes, correspondence	10:00	10	4-5	Members only
2	Actions and updates • Response to prior questions • Transpower's 'ask' for this meeting	10:10	10	6-12	Transpower presenters
3	Adjustment events presentation, discussion • Timing of adjustments • Triggers / thresholds • Workability	10:20	45	15-21	Transpower presenters: Rodrigo Nocete (Tad), Dominykas Balciunas (Dom), Will Hancock, Victoria Parker
4	Wrap-up and advice, item 3	11:05	10	22	
5	Emerging connection charge issues • Disconnection from shared connection • Anticipatory investment (con + intercom) • First mover disadvantage (2 issues)	11.15	30	24-30	Transpower presenters (as above)
6	Wrap-up and advice, item 5	11.45	10	31	
7	Housekeeping / admin • Timing of simple BBC period update	11.50	15	33	Transpower presenters (as above)
8	Wrap-up and advice, item 7	12:05	5	34	
9	Meeting review • What working / needs adjustment • Meeting 2 timing and plan	12:10	15	35	
10	Ends	~12:25			

Notes

- Opted for 1 paper, this pack, rather than individual (and more detailed) topic papers. More explanation to be included in consult materials and any Code change proposals
- EA and TP observers attend all items except "members only" items
- Transpower presenters join for specific topics as required
- IWG may invite TP presenters to stay while it formulates advice (or not)

1. Members only time

1. Attendance / apologies
    - None, but not all can attend for proposed additional hour
    - Members who cannot stay for full meeting can comment on advice
2. Notes and advice
    - Draft meeting note and IWG advice / views to be circulated to members within 24hrs
    - Members have 24hr opportunity for member comment
3. Are we all clear on the ‘ask’ from Transpower for this meeting (next slide)
4. Matters for consideration
5. Correspondence – N/A for this meeting

Opportunity for general comments / concerns

Transpower's Ask of IWG

Introduction: This paper sets out the problem analysis done by Transpower for TPM issues in the workstream one package. It describes what is asked of IWG members and outlines the proposed format for IWG meeting 2.

Ask: IWG members are invited to:

1. Consider and discuss the problem analysis for the workstream one issues described in this paper (and the questions Transpower's team ask)
2. Engage with Transpower subject matter experts as required to:
    i. Clarify understanding of the issue, its current and future materiality
    ii. Test Transpower's assessment of the problem
    iii. Discuss options to address the problem (including doing nothing)
3. **In the 'wrap-up' after discussion of issue, assist with formulation of advice to assist Transpower's assessment of the problem, options to address and assessment of those options.**

We will revisit these asks at the wrap-up for each substantive item

Transpower will take account of the IWG discussion and its written advice as it develops and assesses options for consideration at the next IWG meeting (and in preparing consultation materials and cost benefit analysis).

2. Actions and updates

Actions from induction meeting

	Question / request	Response
1.	Request for full PIR report to be provided to IWG	Suggest relevant aspects are shared with IWG if needed to support analysis of issues (Transpower will also consider other data available if requested by IWG). Survey responses confidential and stage reports intended for Transpower only
2.	Various scope questions • Will we include discussion on things like the exclusion of specific charge, the residual charge, and measurement tool (is kWh the best)? • Can this group make recommendations on the guidelines to the authority • What are the boundaries given the terms of reference, what is the level of details we are getting into? Concerned "that we have been tasked with putting lipstick on a pig"	Addressed on later slides
3.	Are we just looking at the TPM or thing Transpower could do to provide better education and forecasting tools?	Transpower responded / responding to PIR findings through initiatives to improve understanding and its communications
4.	Will the EA attending as a potential observer, does that influence how deep we can go or tone of discussion? Who is the EA observer.	Consider EA attendance a positive but note concern this may affect discussion on certain issues. EA observer is Nikki Murphy.
5.	Can we ensure that documentation doesn't use acronyms	Yes
6.	Will there be a SharePoint or something similar with all the Collateral	Yes – MS teams channel set up, and 'echo' site for document access.

Question: what is the scope this review?

Members queried the current / potential scope of the operational review, and matters the IWG may discuss.

Response:

- Transpower will identify operational opportunities to improve the TPM, to better **promote competition and efficient operation of the electricity industry for the long-term benefit of consumers**.
- This will include:
  - Refinements to the **adjustment mechanisms** to reduce volatility, transaction costs and customer disruption.
  - Ensuring **First Mover Disadvantage** and **Prudent Discount provisions** remain fit for purpose in an evolving electrification landscape
  - Reconsideration of the delineation between the simple and standard methods for calculating **Benefit-Based Charges (BBCs).**
  - Improvements to the BBC calculations and inputs to reduce complexity and reliance on judgement, enabling stakeholders to understand and forecast charges with improved confidence.
- A process exists for introducing additional issues. These are expected to be operational in nature, rather broad policy considerations.
- IWG is asked to priorities the issues put to it for consideration by Transpower, but this does not preclude it from discussing other matters.

What is the regulatory basis for the Operational Review?

Members queried whether the review was bound by the letter (or intent) of the legacy TPM guidelines, the process the review would follow and level of interaction with the Authority.

Response:

- Under the Electricity Code, Transpower may initiate an 'operational review'.
- Transpower's role is to consider implementation and operational matters relating to the TPM - **not new policy.**
- As the TPM Guidelines are very detailed and prescriptive, Transpower sought guidance from the Authority regarding whether code change proposals submitted under this review must comply with the TPM Guidelines in their entirety.
- The Authority has confirmed:
  - [clause] 12.94A may be used as the basis for an operational review by Transpower (i.e. to propose incremental changes to the operation of TPM). We also agree with Transpower's proposed process at Appendix A for an operational review. To be clear, our expectation is that any proposed changes will be consistent with the intent of the Guidelines. However, we agree that any inconsistencies are to be identified and an explanation provided by Transpower to the Authority for our consideration.
- Next slide covers process / matters agreed with the Authority for this operational review.

Agreed process for the Operational Review

Included for completeness and transparency

1. Transpower will engage with an Industry Working Group (IWG) to support its operational review of the TPM, and develop change proposals to the transmission pricing methodology that **are consistent with**—
    1. Any determination made under **Part 4 of the Commerce Act 1986**;
    2. The **Authority's main objective in section 15 of the Act; and**
    3. **Section 32(1) of the Act**
2. Where any proposed changes are not consistent with the TPM Guidelines (2020), Transpower will include an explanation of why the change has been proposed in accordance with Section 32(1) of the Act.
3. The Authority will attend all IWG meetings as an observer.
4. Transpower will manage the operational review under 'workstreams'.
5. The output of each workstream will be a 'work package'. The work package will summarise issues identified and investigated, solutions considered, and draft change proposals (if appropriate). Co-dependencies between change proposals and/or workstreams will also be highlighted.
6. Transpower will consult with stakeholders on each work package. Any feedback will be considered before Transpower finalises its proposal/s to the Authority.
7. There will be a 'checkpoint' between the Authority and Transpower for each workstream. Transpower will provide the Authority with draft work packages for feedback. This checkpoint will take place before Transpower consults with industry.
8. Any change proposals will be drafted with appropriate legal advice and supported with cost-benefit analysis as outputs from 'workstreams'.
9. This process does not replace obligations on either party set out in the Code.

Section 15 of the Act

Objectives of Authority

1. The main objective of the Authority is to **promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.**

2. The additional objective of the Authority is to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.

3. The additional objective applies only to the Authority's activities in relation to the dealings of industry participants with domestic consumers and small business consumers.

Section 32(1) of the Act

Content of Code

(1) The Code may contain any provisions that are consistent with the objectives of the Authority and are necessary or desirable to promote any or all of the following:

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 this Act as a matter for inclusion in the Code.

What is outside the scope of the operational review?

Members asked what was not for consideration through this operational review.

Response:

- Relitigating broader policy decisions made by the Authority, such as the 'beneficiary pays' principles of transmission pricing.
  - Transpower and the IWG will explore options to achieve a better outcomes for consumers in line with policy intent decisions made by the Authority in its final TPM Guidelines: Decision paper.
  - If this is not possible, issues will be referred to the Electricity Authority for consideration and clarification.
- A full review of connection charges
- A full review of residual charges

Why do these scope constraints apply?

- We are focused on finding solutions to improve outcomes for industry and consumers in the near-term, to address the issues raised in our PIR.
- The first tranche of proposals for the Authority's consideration will be non-controversial and focused on time-sensitive matters.

Workstream 1 issues and examples

Start of substantive agenda

1. **Adjustment events**
    - Trigger/threshold sensitivity
    - Timing of application to charges
    - Workability of certain events specified in Part F
2. **Emerging Connection Charge issues**
    - Disconnection at a shared connection location
    - Anticipatory Investment – MCP funding and First Mover Disadvantage
    - First Mover Disadvantage Type 1
        1. Customer Risk for First Movers (second comer doesn't connect)
        2. FAC application to Embedded Large Plant
3. **Housekeeping**
    - Extension of first simple method period
    - General legal text tidy up

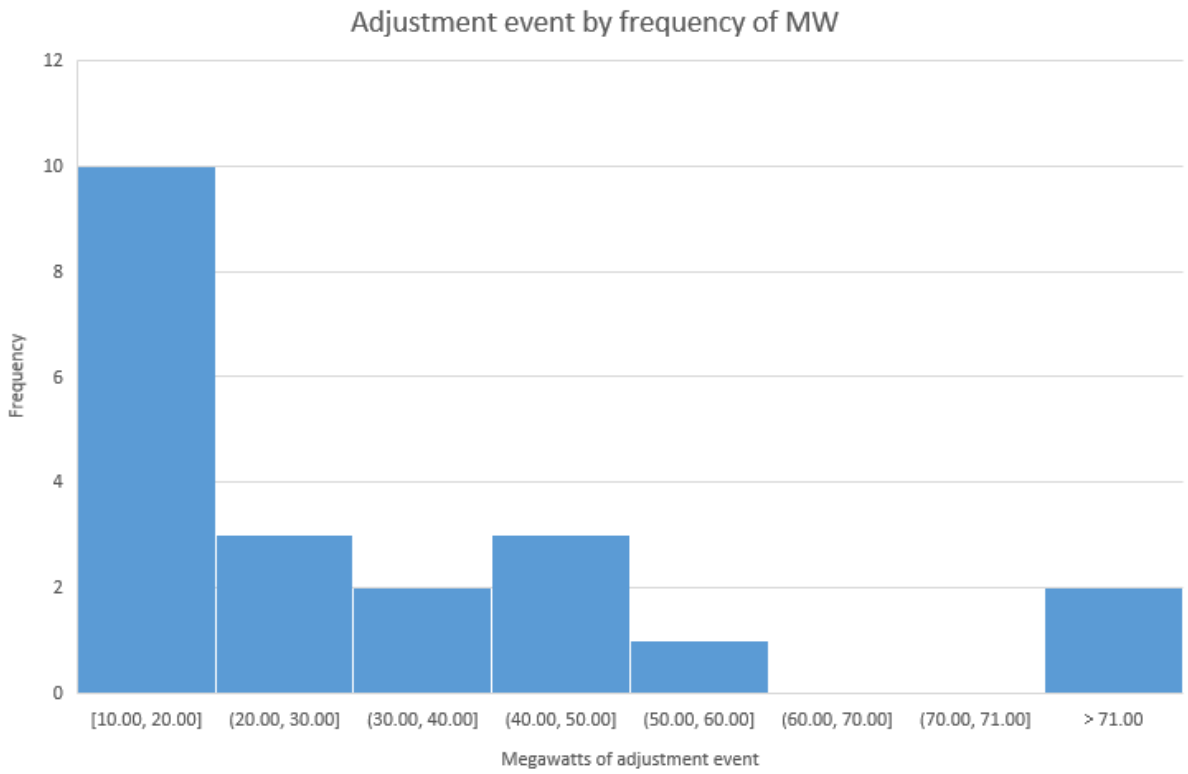
3. Adjustment events

Adjustment events – triggers/threshold sensitivity

- There is TPM charge uncertainty due to number and frequency of intra-year benefit-based charge (BBC) adjustment events. These adjustments also impose significant administrative and indirect costs on Transpower and (we think) customers
- The volume of adjustment events is higher than anticipated at inception, and increasing year-on-year.

  Note: Transpower does not have reliable data on future volumes but, anecdotally, expects a significant increase as electrification drives new connections and augmentation of existing connections within distribution networks)
- Key drivers for the high volume of events:
  - Requirement to adjust BBCs for embedded dis/connection events & SSI; and
  - Large number of small DG captured within “large plant” definition (10MW) in the TPM
- Transpower’s provisional view is that the threshold for adjustment events for embedded plant is too low at 10MW.

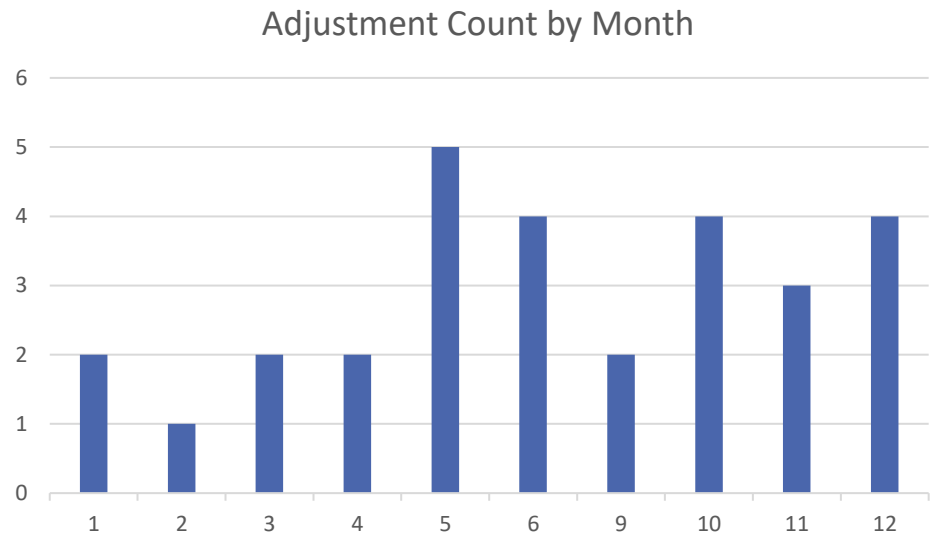
Adjustment events - triggers



- The threshold for TPM adjustment is 10MW, Transpower thinks this threshold has been set too low.
- Over 50% of all adjustment events relate to changes to plant embedded within distribution networks and over 95% of those are for plant larger than 10MW but smaller than 50MW.
- Each adjustment has direct costs of approximately $10,000 for Transpower and indirect costs include: opportunity cost of staff time, key staff / management distraction, increased low-value customer enquiries.
- Each adjustment affects all customers (immediately or at the next pricing round). Customers have told Transpower that the large number of adjustments creates uncertainty, increases administrative costs, complicates pricing, reduces confidence and affects investment decision making.
- The customer price impact for these adjustments is often a few dollars and Transpower's transaction costs (alone) exceed the total change in customer charges arising from adjustments.

Adjustment events - timing

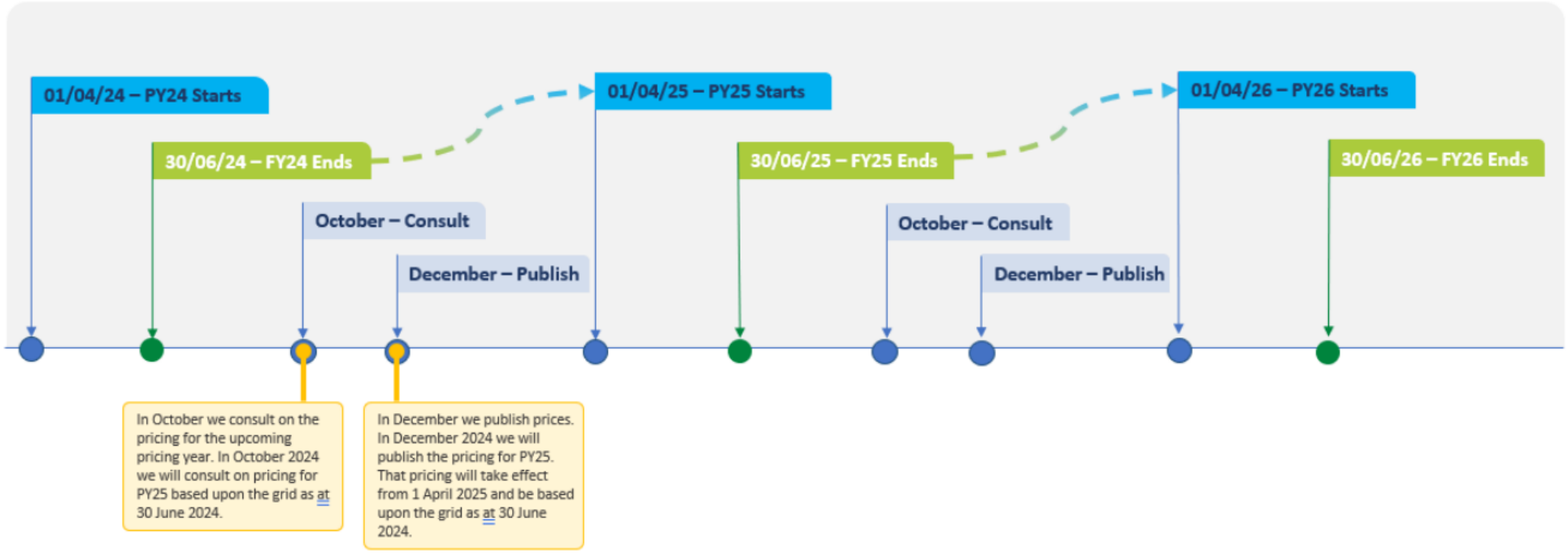
- The **point in time** when the adjustment is required to be calculated and applied is creating complexity & uncertainty in price setting for Transpower's customers. Note, this issue would reduced if:
  - the threshold for adjustment events were to be lifted, or
  - adjustments for changes to embedded plant were removed.
- Adjustment events currently alter **all** customer allocations (CAs), but Transpower only updates the monthly Benefit-based charges within a year for the 'causing' customer from the date of the event
- All other customers monthly Benefit-based charges are updated in the following pricing year (and any washups BBC revenue over-recovery washups are calculated and applied to invoices)
- Adjustment 'events' and 'effective' dates are different for BBC and Connection charge adjustment events.
- This creates uneven timing, significantly increases complexity results in compounding uncertainty for customers.



The closer the adjustment occurs to the end of the pricing year, the smaller the adjustment

Timing

The transmission charges for a pricing year are based on the configuration of the grid at the end of the immediately preceding financial year. For example, the pricing for PY2025/26 (starting 1 April 2025) is based on the configuration of the grid at the end of FY2023/24 (30 June 2024). This is shown in the diagram below.

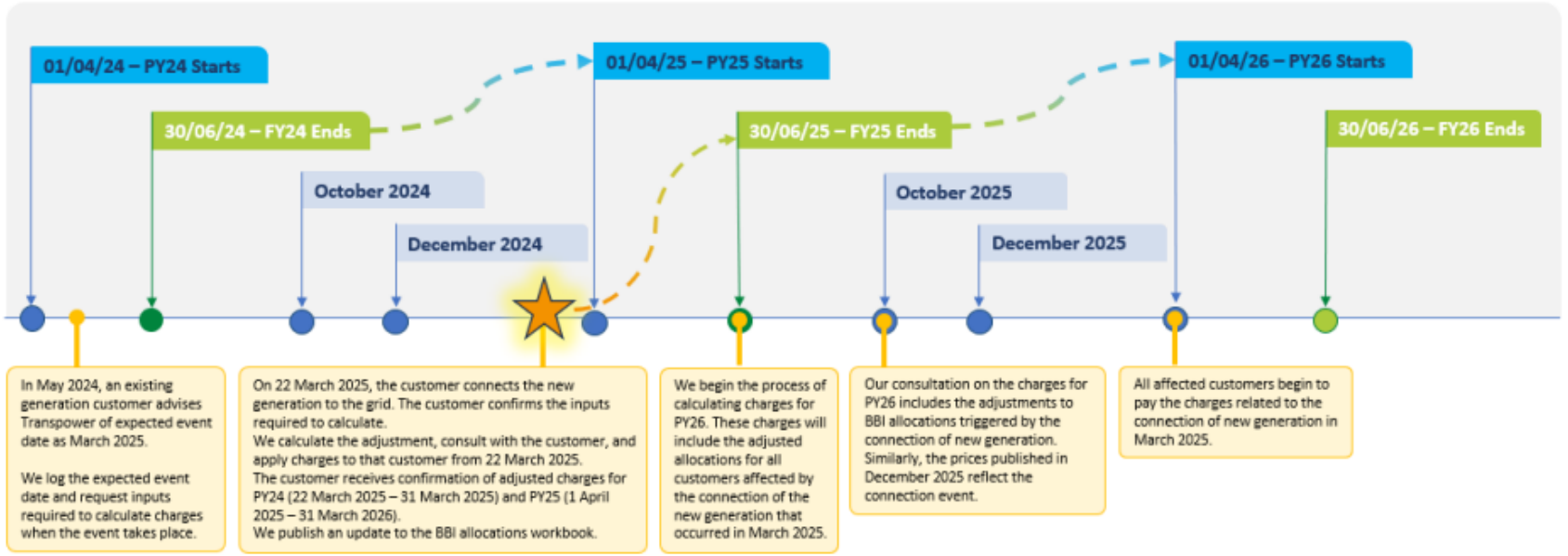


Source: BBC Adjustment Event Information sheet

Example

An existing customer (customer A) connects new plant to the grid on 22 March 2025. Customer A pays adjusted (increased) BBCs from that date (i.e., for the period 22 March 2025 – 31 March 2025 in PY2024/25 and for PY2025/26 and later pricing years). Other beneficiaries' adjusted (decreased) BBC allocations are reflected in pricing from the start of PY2026/27 (1 April 2026), as the adjustment event took place in FY2025/26. Transpower's over-recovery between 22 March 2025 and 1 April 2026 is rebated to the other beneficiaries.

Customer A's adjusted BBCs are not reflected in customer A's PY2025/26 transmission charges consulted on in October 2024 nor notified in December 2024 because the adjustment event had not occurred at the time of that consultation or notice.[9] Customer A can estimate what its adjusted BBCs will be for PY2024/25 and PY2025/26 using the indicative pricing information published on Transpower's website.



[9] Events occurring after 30 June and before October may be reflected in the October consultation and December notification only if Transpower has confirmed the relevant adjustment event in writing prior to commencing consultation.

Adjustment events - workability

Some adjustment events specified in the TPM are currently unworkable due to lack of data, cost implications and ambiguity. This is creating compliance risk for both Transpower and its customers:

1. A *sustained & substantial increase (*or SSI) is an increase in the **large plant's** expected annual **electricity** consumption or generation of at 25% or more which is likely to persist for at least 5 years) (clause 81(1)(f)).

    - However, Transpower does not have a robust mechanism to detect 25%+ increases in embedded plant consumption or generation as well as the persistence of 5+ years and cannot validate unreported cases, creating inequity and non-compliance risk

    - If Transpower were able to access the data directly, similar low-materiality issues would arise as described in the threshold section while each adjustments would incur the ~$10,000 administrative cost as well as IT related costs to systemise monitoring and alerting the pricing team to these increases.

2. *Staged and/or embedded connections (clauses (7) and 81(1)(e))* – when determining whether a plant, or an upgrade or de-rating of a plant is large, Transpower may make that assessment by combining 2 or more units of plant that are:

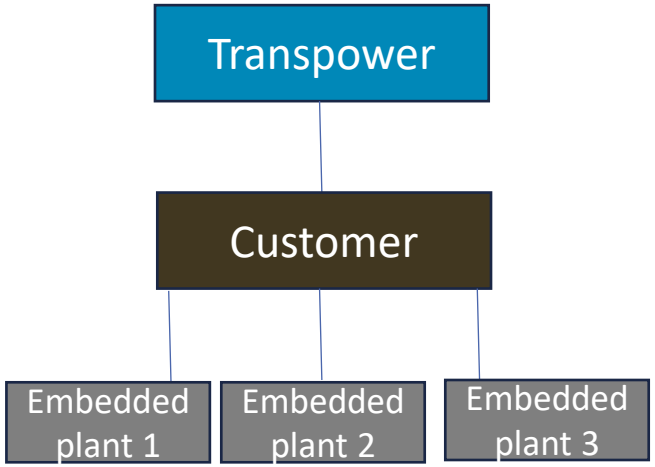
    1. of the same type (consuming plant or generating plant); and

    2. owned by the same person or related parties

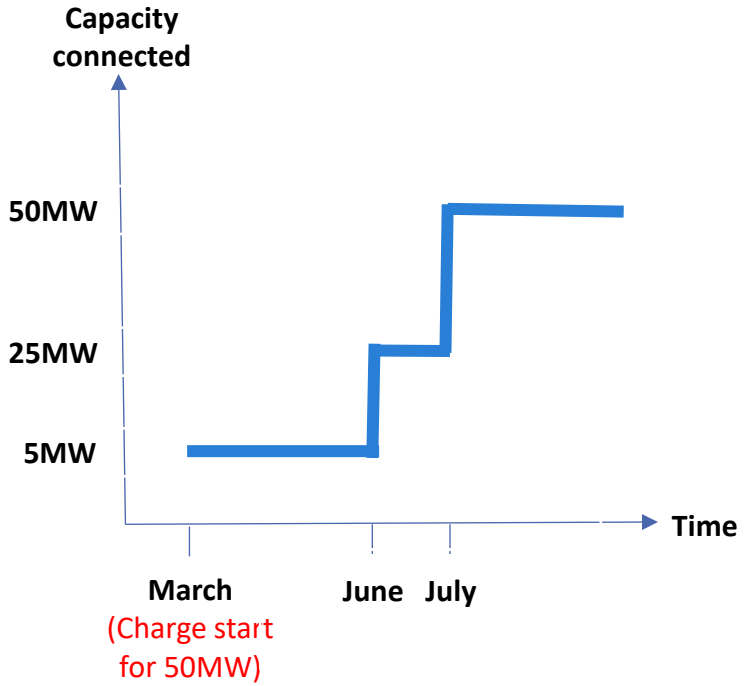
    - However, this requires Transpower to make judgements that can have a material impact on affected customers

Workability – worked example

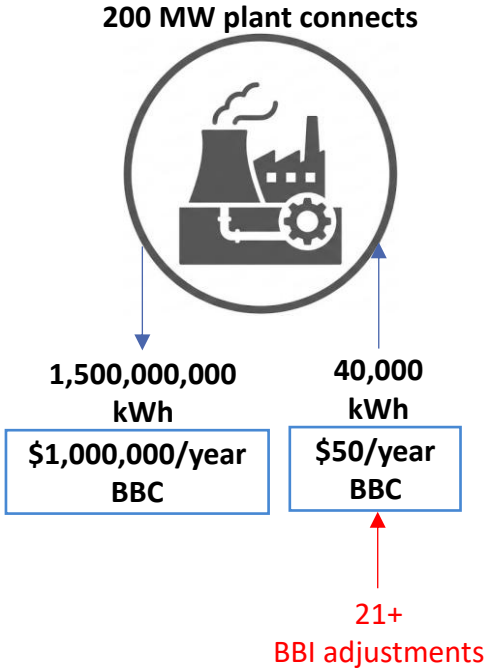
SSCGU



Staged connections



Low materiality processing



4. Wrap-up: Adjustment events

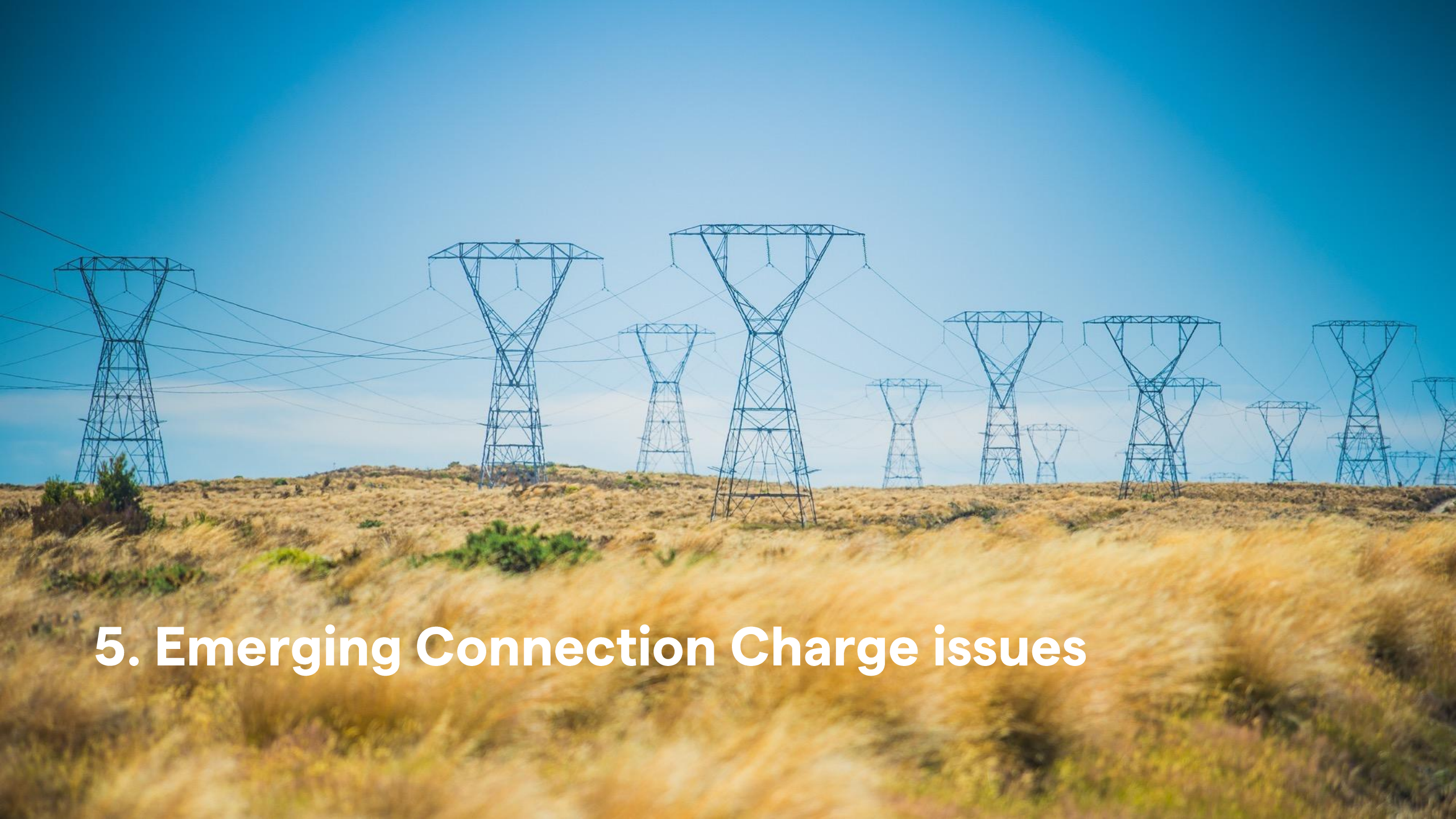
Reflect on discussion and distil views into succinct feedback to Transpower

Comment on:

- assessment of problem
- options to address
- preferences (if any)

[Reminder of Transpower's Ask of IWG] IWG members are invited to:

1. Consider and discuss the problem analysis for the four workstream one issues described in this paper (and the questions Transpower's team ask)
2. Engage with Transpower subject matter experts as required to:
    i. Clarify understanding of the issue, its current and future materiality
    ii. Test Transpower's assessment of the problem
    iii. Discuss options to address the problem (including doing nothing)
3. In the 'wrap-up' after discussion of issue, assist with formulation of advice to assist Transpower's assessment of the problem, options to address and assessment of those options.



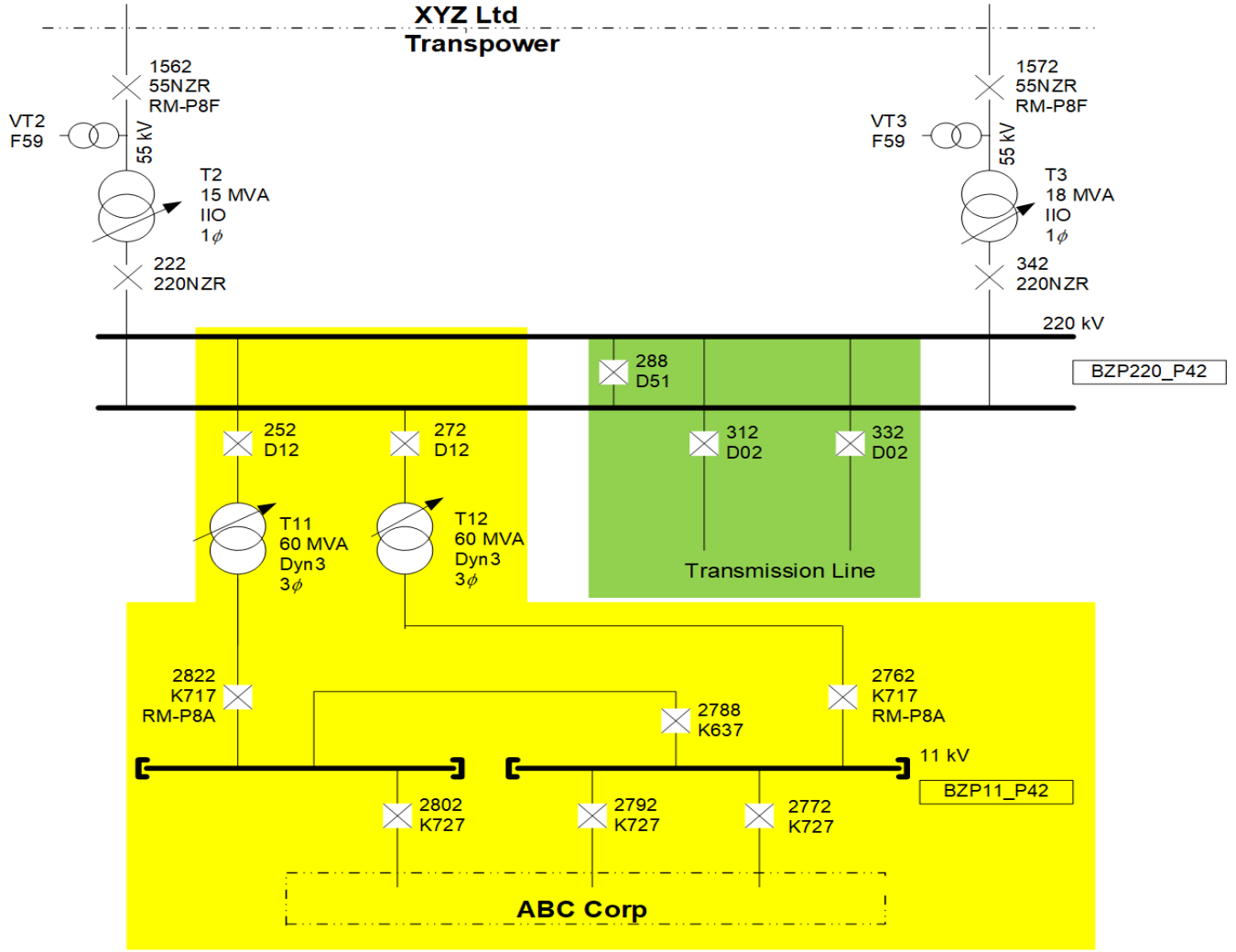
5. Emerging Connection Charge issues

Disconnection from a shared connection location

1. Where customers share connection assets at a connection node, a **significant disconnection or load reduction by one customer shifts that customer's share of allocations onto the remaining customer**, causing a sharp and unexpected increase in connection charges.
2. While this is strictly compliant with the TPM we:
    - are unsure whether it is intentional, the relevant provisions were not changed from the legacy TPM and this had not arisen until recent industrial exits
    - consider it inherently unfair to require a customer paying for connection assets designed for a materially higher capacity than was ever required by that customer.
3. A question has also been raised about whether it is inefficient for a customer to seek to change (reduce) its share of connection costs, for example, by investing in tech to reduce its own anytime maximum demand and injection calculation (AMDIC).

Disconnection from a shared connection location example

Disconnection from Shared Connection Location

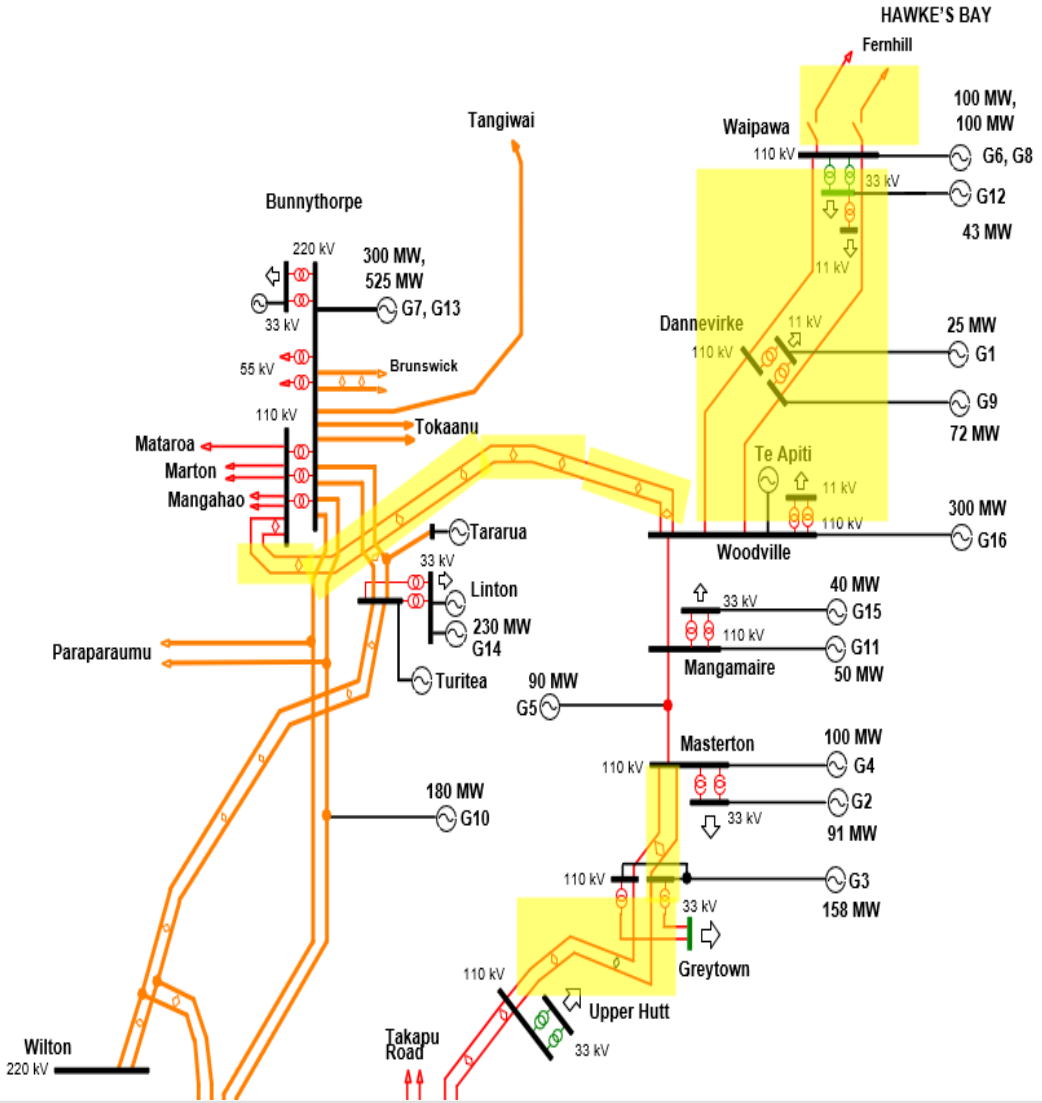


Anticipatory investment

- In regions likely to see future generation, transmission upgrades are sometimes needed ahead of new connections. Under the current TPM, existing load customers pay most benefit-based charges until new generators connect, meaning they fund benefits ultimately received by future customers.
- Connection assets:
  - The TPM includes First Mover Disadvantage (FMD) provisions to protect early customers who fund assets larger than their own needs.
  - Type 2 FMD spreads the cost of anticipatory investment across a wider customer base, but only applies to assets funded via a Transpower Works Agreement.
  - Connection assets delivered through Major Capex Projects lack equivalent FMD protection, leaving first movers exposed.
- Interconnection assets:
  - Reassignment provisions address overcapacity from consumer exits, not capacity built for future entrants. As a result, anticipatory interconnection upgrades sit outside current TPM design intent.

Anticipatory investment example

Interconnection Investments in Tararua and Wairarapa regions



Generator Reference	Location	Capacity (MW)	Connection Voltage	Generation Type	Transpower Status
G1	Dannevirke	25	11	Solar	Delivery
G2	Masterton	91	33	Solar + BESS	Delivery
G3	Greytown	158	110	Solar + BESS	Delivery
G4	Masterton	100	110	Solar + BESS	Delivery
G5	MGM_MST	90	110	Wind	Investigation
G6	Waipawa (South)	100	110	Solar + BESS	Investigation
G7	Bunnythorpe	300	220	Solar + BESS	Investigation
	Bunnythorpe	160	33	Solar	Investigation
G8	Waipawa (North)	100	110	Solar + BESS	Delivery
G9	Dannevirke	72	110	Solar + BESS	Investigation
G10	BPE_HAY	180	220	Solar	Investigation
G11	Mangamaire	50	33/110	Wind	Investigation
G12	Waipawa (South)	43	33	Solar	Investigation
G13	Bunnythorpe	525	220	Solar + BESS	Investigation
G14	Linton	230	220	Wind	Application
G15	Mangamaire	40	33	Solar	Application
G16	Woodville	300	110 (other options available)	Wind	Application

First Mover Disadvantage (FMD) Type 1 issues

Customer risk

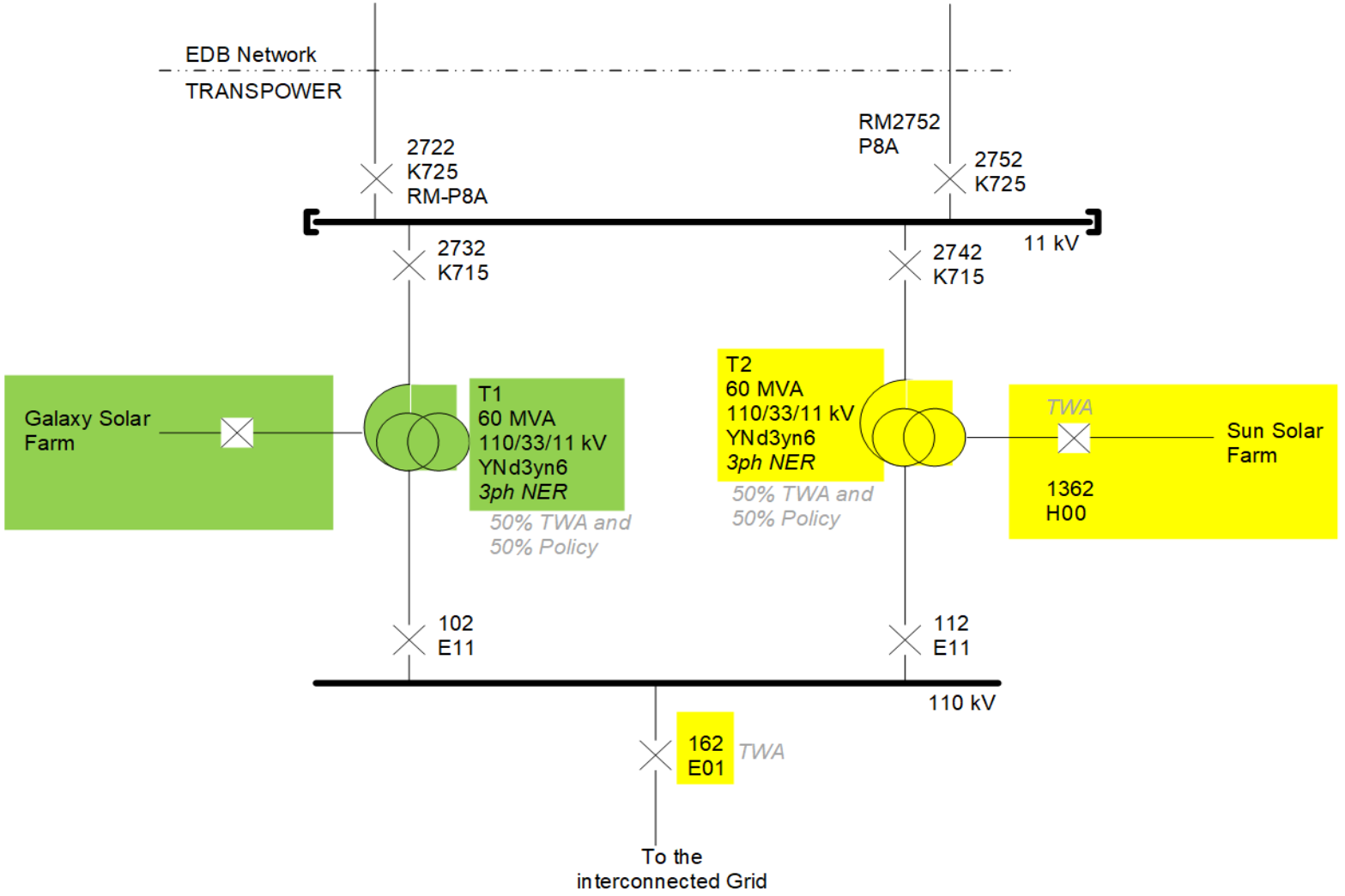
- Under FMD Type 1, the first mover funds connection assets via a Transpower Works Agreement. The second mover is expected to reimburse part of these costs through the funded asset component (FAC) and rebate mechanism.
- However, the first mover bears the financial risk if a subsequent customer either does not connect or delays connection.
- Questions have been raised about which party is best placed to bear this risk – the first mover (for whom it would increase risk and therefore investment cost of capital), consumers or another party

FAC application to Embedded Large Plant

- Concerns have been raised that the FMD Type 1 mechanism is not functioning as intended for connection assets that benefit embedded large plants. For example,
    - where a generator funds an upgrade at a grid exit point already shared with a distributor, future embedded generators (not Transpower customers) do not pay the FAC despite benefiting from the funded asset.

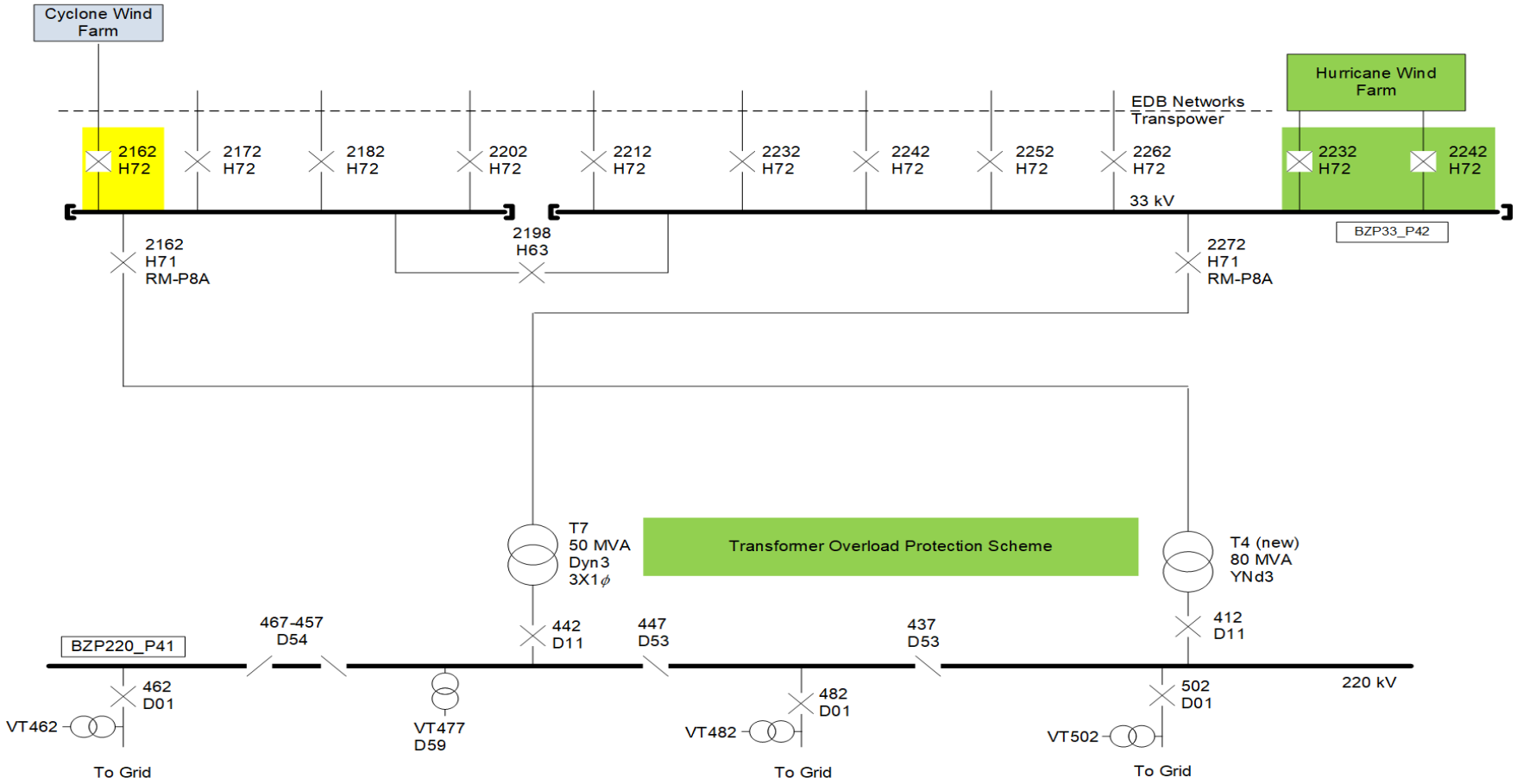
FMD – customer risk example

Customer Risk for the first mover



FMD – embedded plant worked example

Application of FAC to Embedded Large Plant



6. Wrap-up: Emerging Connection Charge issues

Reflect on discussion and distil views into succinct feedback to Transpower

Comment on:

- assessment of problem
- options to address
- preferences (if any)

[Reminder of Transpower's Ask of IWG] IWG members are invited to:

1. Consider and discuss the problem analysis for the four workstream one issues described in this paper (and the questions Transpower's team ask)
2. Engage with Transpower subject matter experts as required to:
    i. Clarify understanding of the issue, its current and future materiality
    ii. Test Transpower's assessment of the problem
    iii. Discuss options to address the problem (including doing nothing)
3. In the 'wrap-up' after discussion of issue, assist with formulation of advice to assist Transpower's assessment of the problem, options to address and assessment of those options.

7. Housekeeping

Second BBI period and drafting hygiene

Second simple benefit based investment (BBI) method period

- The second simple method period is currently scheduled to begin on 1 April 2028, drawing on data collected from 1 September 2020 to 31 August 2025. The simple method allocation setting typically requires six months, and system changes can take 6 months to 18 months, depending on complexity.
- The task of updating simple method draws on many of the same staff working on this operational review and there are likely to be interdependencies between the outcomes of the operational review and requirements for the second simple period setting.
- Transpower thinks it pragmatic to extend the current simple method period and defer preparations for the start of the second period until the operational process is complete (and the Authority has had sufficient time to consider, consult and decide on any changes to the simple method). Required changes to the simple method BBI would then be managed through TPM Operational Review Work Packages 2 (simple method BBCs) or 3 (standard method BBCs) as needed.
- In addition to extending the period, Transpower suggests a general clean up of TPM legal text to remove redundant and outdated clauses, especially those relating to “pre-commencement events”, which applied only prior to TPM’s go-live and now create unnecessary complexity and interpretive noise.

8. Wrap-up: Housekeeping

Reflect on discussion and distil views into succinct feedback to Transpower

Comment on:

- assessment of problem
- options to address
- preferences (if any)

[Reminder of Transpower's Ask of IWG] IWG members are invited to:

1. Consider and discuss the problem analysis for the four workstream one issues described in this paper (and the questions Transpower's team ask)
2. Engage with Transpower subject matter experts as required to:
    i. Clarify understanding of the issue, its current and future materiality
    ii. Test Transpower's assessment of the problem
    iii. Discuss options to address the problem (including doing nothing)
3. In the 'wrap-up' after discussion of issue, assist with formulation of advice to assist Transpower's assessment of the problem, options to address and assessment of those options.

9. Meeting review

1. How did you find this meeting e.g.
    - Format
    - Materials
    - Facilitation
2. What needs to change to make meetings more effective?
3. Meeting 2:
    - Currently booked for 10 Feb, doesn't work for several members (and Transpower needs more time for paper preparation)
    - Need to confirm date and time – poll inclusive, check calendars
    - Plan – what we need from Transpower

Appendix

Options considered by Transpower – provisional / emerging thinking.

Adjustment events – trigger/threshold issues

Potential solutions

1. Remove embedded adjustment events entirely
2. Adjust 'large plant' threshold
    - Increase capacity definition of large plant from 10MW to, say, 50MW. **Large plant** is currently defined at **10 MW** under TPM with unit combination rules for related parties of same type; **SSI** set at **≥25%** increase.
    - **Ignore generator side load inter-regional allocators (IRA)** when **load IRA <20%** of generation IRA; add a **kWh threshold** (utilisation) on top of the MW capacity threshold to avoid triggering low use, high capacity events
3. Reduce the number/types of adjustment events and switch to proportional connection allocation (CA) updates
    - Rationalise event types and adjust all customers' CAs proportionally to the change in annual IRAs at the location, instead of repeated granular rescalings. Improves accuracy but reduces certainty

Adjustment events – timing issues

Potential solutions

- **Defer the effective date of all adjustment events to next pricing year (annual batch, no wash-up)**
  - Process all events **once at year-end** and incorporate into next pricing year; disregard the actual within-year event date, applying a **"changes up to 30 June"** rule akin to connection charge practice.
  - Order of events would not be used for the calculation of BBI allocations and no backdating of charges. This would reduce complexity, volatility and uncertainty. It would have a small affect on the allocation of cost, however this is unlikely to be material for any single customer.
  - This option would complement "Rationalise event types and adjust all customers' CAs proportionally to the change in annual IRAs at the location, instead of repeated granular rescalings.
- **Defer the processing date only (annual batch with washup payable)**
  - Process all events **once at year-end** and incorporate into the next pricing year starting allocations and charges; calculate using the actual within-year event date, applying a ***"changes up to 30 June"*** *rule akin to connection charge practice.*

Adjustment events – workability issues

Potential solutions

- Improve SSI implementation or remove the SSI event
  - Remove the SSI adjustment event given the absence of reliable data and equity concerns; alternative would be to secure a verifiable data feed (if feasible) from the EA/SO/RM.
  - Clarify requirement for customers to notify customers within X days of build commencing & commissioning. This is not our preferred option as we understand this is not feasible for customers (introduces cost).
- Embedded connections: Clarify code for project staging
  - Provide further details as to what should be considered a single project for the purposes of adjusting charges.

Connection charges – disconnection at shared location issue

Potential solutions

1) "Do nothing" - the remaining customer will bear the costs of shared connection assets when the departing customer sharing the assets disconnects. This option perpetuates inequity and misaligned investment incentives

2) Tactical fixes with no code changes:

    a) For disconnection scenarios, a temporary tactical fix is possible by applying TPM clause 32(1) over clause 78(2)(b) when calculating charges. This alleviates impacts but expires once the disconnecting customer's AMDC reaches zero.

3) Code Change Options

    a) Prudent Discount Policy adaptation: allow prudent discounts where disconnection from a shared connection location causes a connection charge increase, until a new customer connects.

    b) Expand reassignment to connection assets: apply reassignment factors to replacement costs of shared connection assets.

    c) Introduce a new clause for connection customer allocations: specifically address the recalculation of allocations for previously shared connection assets until they are replaced or shared again. e.g.,– insert a sub-clause (like clause 32(3) for mixed connection assets

Anticipatory investment/FMD issue

Potential solutions

1. Extend anticipatory capacity provisions to interconnection BBI
    - Create anticipatory BBIs (standard or simple method).
    - Amend covered cost calculations for anticipatory assets.
    - Establish an account to return residual charge movements back to BBI coverage.

2. Use the Reassignment Mechanism

- Recover under recovery via residual charge rather than recalculating covered costs.

FMD Type 1 issues

Potential solutions

Customer risk

- Do nothing – The risk of subsequent customers not connecting remains with the first mover. During Works Agreement negotiations, Transpower should clearly explain this risk.
- Amend Clause 29 – Introduce a rebate mechanism to compensate the first mover if a second mover fails to connect or significantly delays connection.

FAC – Embedded plant

- Do nothing – FAC would not apply to embedded plant and the current arrangements under the TPM would continue.
- Amend Clause 28 – Modify TPM to apply the FAC to embedded plants as a notional second mover if they benefit from a funded asset.

Thank you

TRANSPOWER.CO.NZ