

Meeting date: 18 February 2026
Feedback to Transpower

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Transpower
By email

26 February 2026

Dear Victoria

Independent Work Group (IWG) - Feedback to Transpower #3

The IWG had its third substantive discussion on 18th February. The objectives for this meeting were to consider policy positions for consultation after Transpower accounted for previous IWG feedback and progressed its own analysis.

The IWG appreciated Transpower's presentation of provisional proposals for consultation. This letter sets out the IWG's feedback for Transpower consideration. You may reference or quote statements in this letter in your consultation. It is the IWG's expectation that our feedback, this letter and the two preceding letters are published alongside your consultation and provided to the Electricity Authority.

The IWG considers Transpower's iterative and consultative approach to be constructive. The IWG understands Transpower will again engage it when submissions are received, before finalising any proposals to the Electricity Authority. As noted below, there are certain areas where further evidence is needed to choose between competing options and the IWG expects further work by Transpower and consultation feedback will help provide this evidence.

While the IWG respects its terms of reference, it notes that Transpower's Commerce Act regulation and the theoretical basis for the TPM constrain options and, in some cases, contributes to the problems identified by Transpower.

Substantive matters

1. 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. However, at this stage there is more than one viable option:

Option 1 - 'batching and timing'

A low-cost, low-risk option that would reduce a significant proportion of the administrative cost and complexity faced by Transpower. However, it would not reduce the number of adjustment events or materially alter transaction and other costs associated with:

- creating or obtaining information required to perform adjustment events; or
- providing, updating, and incorporating indicative prices from Transpower into investment decision-making.

The IWG considers this option to be the most straightforward and proportionate reform and an obvious candidate for early implementation, either alone or in combination with option 2 (or replaced by option 3).

Option 2 - 'increase threshold'

Complementary to 'batching and timing', would be 'correcting' the definition of **large** from 10MW to a higher value, perhaps 25MW, assessed as the minimum viable scale for direct connection to the grid. This option would:

- reduce the number of adjustment events, avoiding associated costs for the smallest generation and offtake plants.
- alter incentives by changing the 10MW boundary, the effects of which are not currently well understood. The IWG considers that particular attention should be given to whether altering the threshold creates artificial clustering of plant sizes immediately below the revised boundary.

The IWG considers adjusting the definition of "**large**" as complementary to 'batching and timing', subject to a robust assessment of costs and benefits including incentive effects of increasing from 10MW to 25MW or an alternative boundary / threshold. Transpower should finalise its analysis of plant size that could viably connect to the grid.

Option 3 – Annual IRA Recalculation

Annual IRA Recalculation would remove the need for option one and/or two, it would involve recalculation of the **intra-regional allocators** (IRAs) each year:

- recalculating base year to capture *all* changes in supply / demand on the grid (rather than only changes that trigger an adjustment)
- *only* adjusting IRAs for **large** events.

The IWG considers this to be a bolder change with more pervasive implications, including to 'net-off' supply and demand changes at each GXP at the same point in time, rather than separately calculating changes for defined events and incrementally changing IRAs. The change would, amongst other things, alter/reduce BBIs and other charges to distributors where embedded generation reduced peak demand and energy consumption at the GXP.

The IWG is open to this option, noting it represents a more fundamental departure from the current framework and would require robust evidence before implementation. Before proposing such a change to the Electricity Authority, the IWG recommends Transpower:

- sets out in greater detail the effects of this change for all transmission charges and categories of grid and embedded customers
- assesses the overall costs and benefits of the change, including potential incentives for inefficient embedding
- invites views and evidence on this option in its March consultation.

In relation to the 'workability' issues affecting adjustment events raised by Transpower, the IWG notes and endorses Transpower's intention:

- to propose removing the ‘substantial sustained increase’ (SSI) adjustment in its consultation. The IWG considers this provision, while well-intended, targets an immaterial issue and is unworkable in practice. It notes that option two would capture future SSIs – if SSI is viewed as equivalent to an adjustment event size increase (10MW currently) rather than 25% of that. Option 3 would capture *all changes – increases or decreases*.
- to briefly cover workability issues with the ‘low materiality’ and ‘staged connections’ problems previously presented to the IWG but considered either immaterial or addressed by changes proposed above. Specifically:
 - the batching and timing option materially reduces problems identified with staged connections. Increasing the MW threshold for “**large**” further reduces the problem. The IRA recalculation avoids the problems altogether.

The IWG considers public consultation will be enhanced by scenarios illustrating how each option affects prices for different customers connecting at different times. For example, embedded plant that existed when the TPM was implemented is netted off for pricing purposes while new embedded plant (above the **large** plant threshold) is captured through adjustment events for existing BBIs but netted off for new BBIs. The IWG appreciates the arrangements may be clear to pricing experts (and may be intentional) but doubts this is the case for most stakeholders. The IWG considers this particularly important given that pricing treatment differs depending on timing of connection and plant status, which may not be intuitive to stakeholders.

If Transpower wishes, the IWG can act as a sounding board when Transpower prepares these resources.

2. Emerging connection issues

Disconnection from a shared location

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 economically inefficient and inconsistent with cost-reflective pricing principles. 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. While the issue has arisen previously in context of industrial closure and plant utilisation changes the case study presented highlights the need for change.

The IWG considers there is a clear need to change the relevant provisions in the TPM so that costs at shared connection locations are not by default attributed to the remaining customers at that location. Regulations set under the Commerce Act 1986 and Electricity Industry Act 2010 mean Transpower is not required to absorb these costs. Given that, the costs should be recovered in a non-distortionary manner, likely from the widest possible base (i.e. all customers, via the residual charge or via all connection charges).

The IWG considers that Transpower should assess whether there are other circumstances where customers are forced to bear the cost of assets well in excess of their actual requirements (whether historical, current or future). This situation may arise from historical

investment choices by Transpower or for other reasons. Transpower will need to evaluate the basis on which the remaining customer should pay for the capacity it continues to use (for example on a usage (kWh) basis or peak MW divided by total line capacity).

Anticipatory investments: BBI interconnection costs falls on local offtake customers

The IWG understands the current state is unintentional and an artefact of TPM drafting rather than policy intent.

The IWG considers it is inappropriate for only offtake customers in the *relevant* region to bear investment costs expected to be borne by or at least shared by connecting generators. The IWG supports, in principle, ‘washing-up’ costs associated with generation connection delays from generators when (or if) they eventually connect. However, whether and how this is done should be subject to an assessment of the costs and benefits. For example, Transpower should satisfy itself this does not have the effect of deterring future connection by generators (leading to functional stranding of the assets in question).

The IWG understands that the effect of addressing this issue is to reallocate the relevant costs to other customers. The IWG considers this to be a ‘necessary evil’ – but notes that the combination of Commerce Commission and Electricity Authority regulation:

- affects Transpower’s incentive to prudently manage demand risk (as Transpower earns a return on and of investment regardless of whether demand materialises)
- restricts Transpower’s ability to mitigate demand risk through contract or other mechanisms.

Given those facts **the IWG considers** safeguards are needed to avoid or at least minimise “regrettable” investment. This may include

- a level of contractual commitment from generators prior to investment commitment by Transpower
- increased transparency around areas of the grid with available capacity
- staging or conditionality for regulatory expenditure approvals.

The IWG considers that absent such safeguards, reallocating costs more broadly may weaken investment discipline.

First mover disadvantage

Two issues were presented: (1) funded asset component and rebate for large, embedded plant (2) connection charge apportionment where expected generator does not connect / delays connection

The IWG considers Transpower’s plan (to briefly set out the issue it has identified and to invite stakeholder views on the materiality of these issues, whether change is warranted and what such change options might be) to be sensible.

3. Housekeeping

Second simple method BBI period

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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
- 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 supports Transpower's intention to consult on a proposal to defer calculation of second simple method BBI charges until completion of the operational review.

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.

4. General comments and next steps

The IWG encourages Transpower be clear in its consultation and in its articulation of the problems, whether these impact efficiency, equity or both and evidence to support its view and the presentation / assessment of options to address each problem.

Given the main driver for the operational review (reduce complexity and compliance costs and to improve predictability and stakeholders' ability to forecast future transmission charges) the IWG is reluctant to endorse the addition of further prescription and adjustment mechanisms.

The IWG recommends Transpower and the Electricity Authority to adopt a clear preference for simplification. Incremental additions of further rules and adjustment mechanisms risk compounding complexity and undermining one of the core objectives of the review. Structured simplification rather than layered prescription, should be the guiding principle

The IWG trusts that this feedback is useful to Transpower. We look forward to seeing Transpower's consultation and, as noted above, are open to assisting Transpower as it finalises consultation materials – particularly if policy positions depart materially from those discussed on 18th February.

The IWG will meet briefly in mid-March with a full-form meeting in late March or early April to consider consultation feedback and Transpower's final proposals prior to submission to the Electricity Authority.

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

Yours sincerely



Jeremy Cain – on behalf of the TPM industry working group