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Submitted via email to tpmreview@transpower.co.nz.

Consultation Paper – TPM Operational Review Workstream One

Introduction

1. Orion welcomes the opportunity to submit on the consultation paper 'Reducing barriers for new connections: up-front charges and distributor obligations"[1].
2. Orion owns and operates the electricity distribution infrastructure in central Canterbury, including Ōtautahi Christchurch city and Selwyn District. Our network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. We deliver electricity to more than 233,000 homes and businesses and are New Zealand's third largest Electricity Distribution Business (EDB).
3. Transpower is consulting on:
    a. Workstream One
        i. BBC adjustment events – timing
        ii. BBC adjustment events – triggers/thresholds
        iii. Remove the substantial sustained increase (SSI) adjustment events
        iv. Housekeeping
        v. how certain issues with connection charges and FMD should be addressed
        vi. any feedback on the overall process, scope, and timing for the Operational Review
4. The Authority has signalled that the primary focus of workstream one is:
    a. Operational Review 'quick wins' that they consider can be achieved in relation to adjustment events and housekeeping.
    b. Seeks stakeholders views early on whether and how certain issues with connection charges and FMD should be addressed, either through the Operational Review or separate Authority-led processes

[1] https://www.ea.govt.nz/documents/8620/Reducing_barriers_for_new_connections_-_Consultation_paper.pdf

5. Changes as a result of this consultation will take effect from the pricing year commencing 1 April 2027
6. We have answered the questions posed by Transpower in a submission table in Appendix A.

Additional Comments

Timeframe for Consultation

7. The timeframe provided for submission has not been sufficient to robustly analyse the material including cost benefit analysis and Code drafting or appropriately understand all implications of changes. We provide our feedback to the specific questions with this caveat.

Concluding remarks

8. This submission is not confidential and can be publicly disclosed.

If you have any questions or queries on aspects of this submission which you would like to discuss, please contact us on 03 363 9898.

Yours sincerely,

Dayle Parris
Head of Revenue and Regulation

Appendix A

Submitter	Orion New Zealand

Questions	**Comments**
Background and context	
Workstreams	
Q1. Do you have any comments on the process, timing and/or prioritisation of each of the Operational Review workstreams?	Orion supports the proposed Operational Review workstreams and timeline
Q2. Are there any other matters we should consider as part of the Operational Review?	No comment
Q3. Are there any matters we should specifically exclude from the Operational Review?	No comment
Adjustment Events	
Q4. Do you agree with the proposed amendment - batching of adjustments with a deemed 30 June event date?	Orion agrees with the proposed amendment- batching of adjustments with a deemed 30 June event date as this reduces volatility, uncertainty and administrative burden for customers and Transpower. We note that any batching approach should ensure that significant changes in grid use are still reflected in transmission prices within a reasonable timeframe and that price signals remain broadly cost-reflective.
Q5. Are there any other options to simplify adjustment events timing that we should consider?	No comment
Triggers/threshold sensitivity	
Q6. Do you support (i) increasing the “large” plant threshold, or (ii) annual IRA updates? Which option, if either, do you prefer and why?	Orion has preferential support for a move to an annual IRA update. We believe this is a more fulsome approach that removes boundary issues of a set threshold and the incentives this might generate, is more predictable, and better meets the practical considerations of clause 1b of the TPM Guidelines and addresses workability. We encourage Transpower to carry out the analysis required to support robust evidence before implementation.

Q7. If Transpower proposed raising the threshold for "large plant", what threshold(s) do you consider would be appropriate?	In the event Transpower looks to propose raising the threshold for "large-plant" rather than following our preferred position stated in our answer to question 6, we agree with the proposed threshold adjustment from 10MW to 25MW based on the analysis on real applications in Transpower's connection queues.
Q8. Are there any other options to address trigger/threshold sensitivity we should consider?	No comment
Workability	
Q9. Do you agree with our initial view that the TPM should be amended to: • remove the SSI adjustment events; • clarify how Transpower should treat staged projects by adding time and certainty constraints • remove all embedded adjustment events and SSI; and/or • switch to annual review of IRAs and remove most of the adjustment events?	Orion agrees to your initial view that the TPM should be amended to remove SSI adjustment events in conjunction with clarifying how Transpower should treat staged projects by adding time and certainty constraints, and our preferential support is for a switch to review of IRAs (see our response to Question 6).
Q10 Are there any other options that we should consider to improve adjustment event workability?	No comment

Q11 While we invite all feedback more generally on the CBA for adjustment event proposals (Appendix B) we are particularly interested in views on the following questions: a) What is your view on our approach to the CBA, including its inputs and underlying assumptions. Specifically: I. do you agree that $5k roughly captures the engagement cost with Transpower leading up to and following an adjustment event? II. when planning to connect to a distribution network, what are your costs to interact with your EDB to provide the information Transpower requires and to obtain/update price estimates for benefit-based investments? b) Does the effect adjustment events have on businesses: I. alter or delay investment commitment for embedded generation or offtake plant and, if so, how? II. affect plant design and location decisions for embedded generation or offtake plant and, if so, how? c) How does the current threshold of 10MW affect plant design and location decisions and how would this change if the threshold were raised to, say, 25MW?	Orion considers, noting our earlier comment about lack of time to robustly review, the current CBA to be too limited to support robust evaluation of the proposals. The analysis focuses primarily on transaction costs and does not capture wider impacts on investment signals, pricing accuracy, or long-term efficiency outcomes. Given the TPM's influence on investment decisions across the electricity sector, these broader impacts could be significant. Orion encourages further work to better understand these effects before finalising any changes.
Housekeeping	
Q12 Do you agree with the proposal to extend the first simple method period to the end of PY2029 or to the end of PY2030 if required?	Orion agrees to Transpower's proposal for clause 60(1)(a) of the TPM to be amended to extend the current simple method period to the end of PY2029 or to the end of PY2030 if required.
Q13 Are there any other options we should consider for the second simple method period work?	No comment

Drafting hygiene	
Q14 Do you agree with the proposal to clean up the TPM legal text?	Orion agrees to the proposal to clean up the TPM legal text.
Q15 Are there any other opportunities to clean up the TPM legal text we have not identified?	No comment
Disconnection from a shared connection location	
Q16 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?	Orion agrees that disconnection from a shared connection location creates a problem for remaining customers at that location. As an EDB we recognise that our load customers (mass market) will often be the bearer of these 'hand me down' costs where no conscious investment decision by these customers brings the additional costs upon them. As differing customers connection to GXPs, including generators, and economic situations change we believe this could be become a material problem.
Q17 What other options do you think should be considered? Are these options consistent with the intent of the TPM Guidelines?	Orion supports the existing options tabled. We believe these options are consistent with the intent of the TPM guidelines as long as it is applied in a way that preserves the TPM's core principles: cost-reflectivity, stability, and avoidance of opportunistic reallocation.
Q18 Do you think that this is a matter that could/should be addressed through the Operational Review?	Orion submits the matter of disconnection from a shared connection location should be addressed through the operational review.

FMD Type 2: Anticipatory investment in assets	
Q19 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?	New Zealand is moving toward more customer-driven transmission investment and has a policy position encouraging renewable generation[2]. Orion agrees anticipatory investment in interconnection assets can create first mover disadvantage problems. The challenge is how to meet the renewable generation imperative and support existing transmission connected customers. A challenge for Transpower is that projects in a queue, such as renewable generation, may inform anticipatory investment but can frequently withdraw, downsize, or delay. When a project that triggered upgrades later drops out, the upgrades may no longer be needed, leaving the transmission owner with stranded capacity known as functional stranding[3]. This is not a problem for just the New Zealand jurisdiction and given our NZ policy position could become a material problem. As well as addressing the TPM Transpower can look to other jurisdictions to consider a 'value stack' approach to managing anticipatory investment issues. For instance, • Staged or modular upgrades so that only early, low-regret investments are made until generator commitment is clearer. • Financial security requirements (e.g., deposits, milestone payments) so generators share the risk of withdrawal. • Shared or socialised cost allocation when upgrades provide broader system benefits. • Coordinated planning to reduce reliance on project-by-project upgrades and instead build transmission for clusters or zones of expected generation. • Queue reform to reduce speculative projects and improve the reliability of interconnection commitments.
Q20 What options do you think should be considered? Are these options consistent with the intent of the TPM Guidelines?	See answer to question 19
Q21 Do you agree that this is a matter that could/should be addressed through the Operational Review?	Orion agrees anticipatory investment in assets should be addressed in the operational review.
MD Type 1 Issues	

[2] *The Zero Carbon Act sets the **legal requirement** for deep emissions cuts.*
*The Climate Strategy, Emission Reduction Plans, and energy-sector reforms provide the **implementation pathway**.*
Together, they create a policy environment where expanding renewable generation is not optional—it is the primary mechanism for meeting national climate obligations.
[3] *Functional stranding means the asset is not actually used for the purpose it was built for.*

Q22 Under the FMD Type 1 mechanism, which Transpower customer(s) should bear the financial risk of second mover(s) not connecting or delaying their connection?	First movers presumably move because their investment is economically viable at the time. Where an EDB, who has been connected for decades, is not the party that causes the upgrade for new demand or generation they are an existing beneficiary. It appears the difficult matter in this discussion and the example given is that the second mover is embedded. In that case, the EDB will often be the 'sponsor of new demand' becoming the contracting and billing counter party. The EDB has opportunity to pass on its costs of FAC when it contracts with the second mover. The first mover may pay until the second mover (through the EDB counterparty) arrives. Transpower and EDBs need to consider roles carefully where embedded generation connects as a second mover. EDBs are often the contractual counterparty when it comes to funded asset component. Disaggregation of these components in pricing information provide to EDBs would help ensure they can and are passed through to the relevant embedded party. This would require EDB individual delivery service agreements to have provision for this to occur. Orion believes further analysis should be undertaken to better understand the potential scenarios here and the impacts on different users.
Q23 Do you agree that the FMD Type 1 mechanism is not functioning the way it should for connection assets that benefit embedded large plants? Do you think this is or could become a material problem?	Refer to response to Q22.
Q24 What options do you think should be considered? Are these options consistent with the intent of the TPM Guidelines?	Refer to response to Q22.
Q25 Do you think these are matters that could/should be addressed through the Operational Review?	Refer to response to Q22.
Objectives of the operational review	
Q26 Do you agree with the overall objectives of the proposed TPM Operational Review?	Orion broadly supports the objective of improving transparency, predictability, and workability of the TPM while maintaining efficient pricing signals. Simplifying operational aspects of the TPM could benefit both Transpower and transmission customers if implemented carefully.
The benefits of the proposed amendments are expected to outweigh the costs	

Q27 Do you agree it is appropriate to rely on the quantitative analysis of the costs and benefits of the adjustment event proposals and a qualitative evaluation of the costs and benefits of the housekeeping proposals? If not, what information and evidence can you provide, and what methods would you recommend, to quantify the costs and benefits?	Orion has not had sufficient time to carefully consider and evaluate Transpower's analysis. We are concerned about the limited scope and robustness of the cost-benefit analysis (CBA) provided to support the adjustment event proposals. Accordingly, we are unable to conclude on the appropriateness of the CBA.
Q28 Do you agree the benefits of the proposals can reasonably be expected to outweigh their costs?	Refer to response to Q27
Compliance with section 32(1) of the Act	
Q29 Do you agree that the preferred options will comply with section 32(1) of the Act?	Refer to responses on specific proposals throughout this submission.