

Overview of the TPM

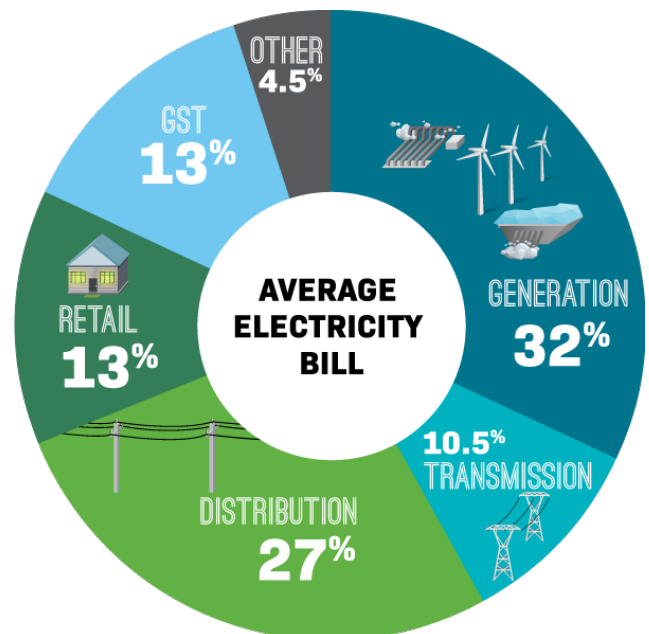
The Electricity Authority's transmission pricing methodology (TPM) sets the way Transpower calculates transmission charges to recover the annual cost of running the National Grid. The amount of revenue Transpower recovers under the TPM is set by the Commerce Commission. Transpower charges its directly connected transmission customers (generators, local lines companies and industrial users who directly connect to the grid).

In April 2022, the Electricity Authority decided to adopt a new method for determining how charges for New Zealand's electricity transmission system are allocated. Transpower must implement this new pricing methodology to its customers (generators, local lines companies and directly connected industrials) from 1 April 2023.

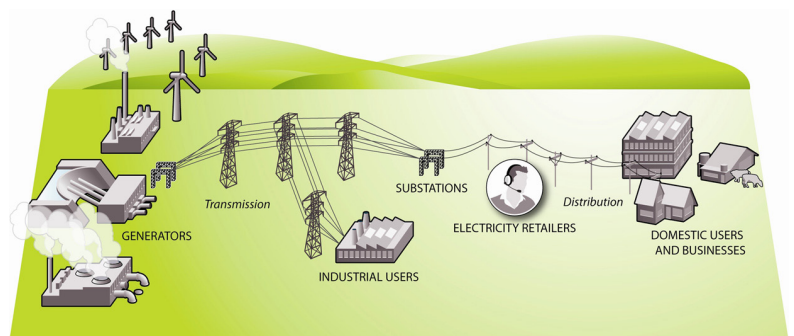
The total amount of transmission charges Transpower collects remain the same, but how these charges are distributed among customers has changed. The main change in the way prices are allocated is a move away from spreading the cost of transmission investments across all customers directly connected to the transmission grid to a benefit based system. In a benefit-based system those that are expected to benefit most from the current and future investment pay the costs. The new methodology has been designed to more closely reflect the costs and expected benefits of electricity transported across Transpower's 12,000 kilometres of transmission lines.

Some transmission customers will see an increase in their costs and others will see a decrease. It is up to local lines companies around New Zealand to decide how they pass on the charges to their customers (primarily electricity retailers) who then decide how to reflect them in electricity bills. As a result, the exact impact on consumers won't be known until April 2023 and it will vary depending on where in the country they are.

Transmission charges are now typically about 10% of a household electricity bill



* Electricity Authority [website](#), 2019



Source: Ministry of Business, Innovation and Employment

* local lines companies are represented as 'distribution' in the graph and image displayed on this page.

More information on the new TPM is available on our webpage: [Transmission Pricing Methodology | Transpower](#)