



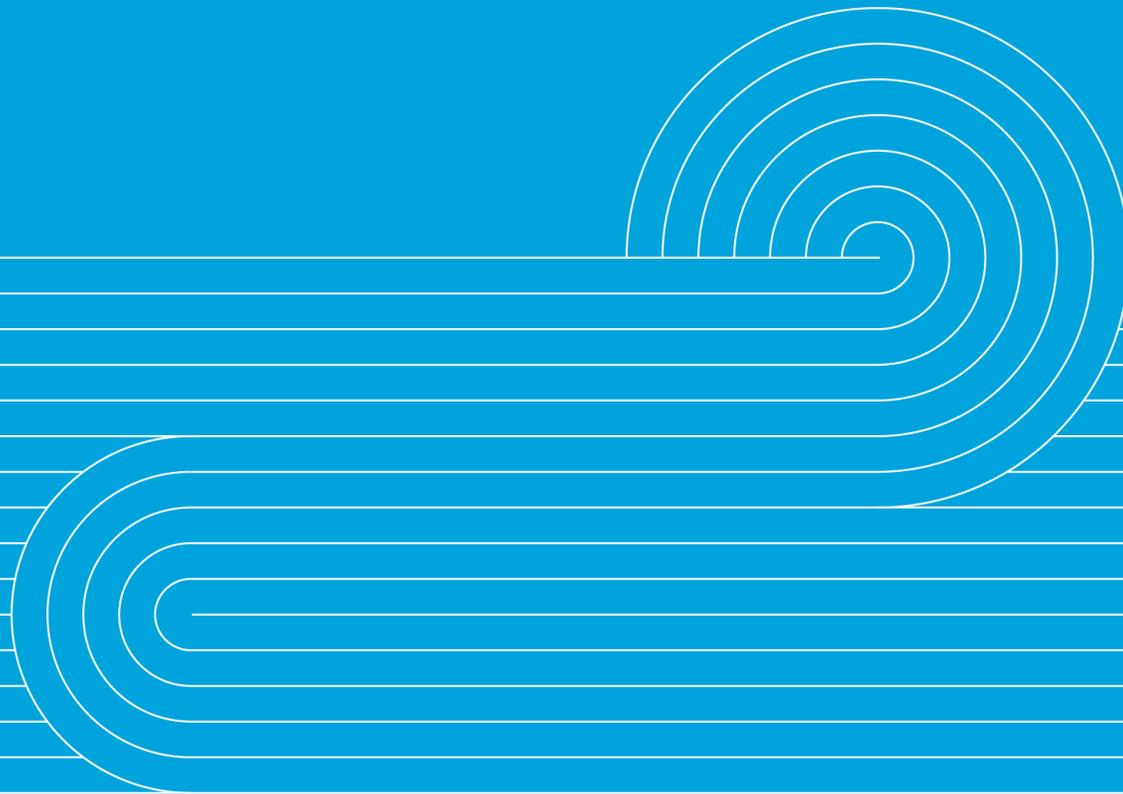
TRANSPOWER

TPM Operational Review

16 March briefing session

IRA Proposal + Q+A

16 March 2026





IRA method for adjustment events

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- An **intra-regional allocator (IRA)** is a factor used under the TPM to allocate **benefit-based charges (BBCs) between customers within the same region**, based on their **net use of the grid (offtake and injection) at each connection**, so costs are shared in line with how the grid is actually used.
- Under the IRA proposal, instead of multiple in-year adjustment events, we'd update charges **once a year** by recalculating intra-regional allocators based on 5-year historical grid use in kWh at a location.
- Benefits and regional benefits for the first simple method period & existing standard method investments are already set and will continue. This proposal is intended to replace within year adjustments.
- That means a **simpler process and less volatility**, while still keeping charges broadly aligned with how customers use the grid.



IRA background

Definitions:
IRA: intra-regional allocator
NPB: net private benefit
BBI: benefit based investment
RNPB: regional net private benefit
CMP: Capacity measurement period

- The intra-regional allocator (IRA) is annual average offtake or injection in kWh of a customer at a connection location.
- IRA is used to calculate a customer's NPB of a BBI in a beneficiary region using this formula:
$$\text{NPB} = \text{RNPB} \times \text{IRA} / \text{Total IRA in a beneficiary region}.$$
- The BBI customer allocation is calculated by dividing its NPB by the total NPB of the BBI
- Starting BBI allocations use IRA during:
 - CMP B: Standard Method BBI – meter data of the latest 5 capacity years (1 Sep to 31 Aug) available when Transpower makes its final decision to proceed with the investment
 - CMP C: Simple Method BBI – meter data from 1 Sep 2016 to 31 August 2021.
- The status quo TPM fixed the values of IRAs and customer allocations unless an adjustment event occurs
- The proposed *IRA update* recalculates the IRA every year based on the meter data of the latest 5 capacity years (1 September to 31 August) e.g. for PY2027, CMP would be 1 Sep 2021 to 31 Aug 2026
- Customer allocations and individual NPBs are recalculated while RNPB and total NPBs are unchanged.



Annual IRA update options

Option 1: Annual IRA updates

- Allocations are adjusted yearly based on the 5-year rolling average of offtake or injection.
- For a typical EDB, the connection of an embedded generation would lower its IRA and hence, its BBCs will lower.
- For all other customers, the reduction in charges of the EDB will increase their charges. This may be an issue for customers who do not increase their grid usage but their charges have increased.

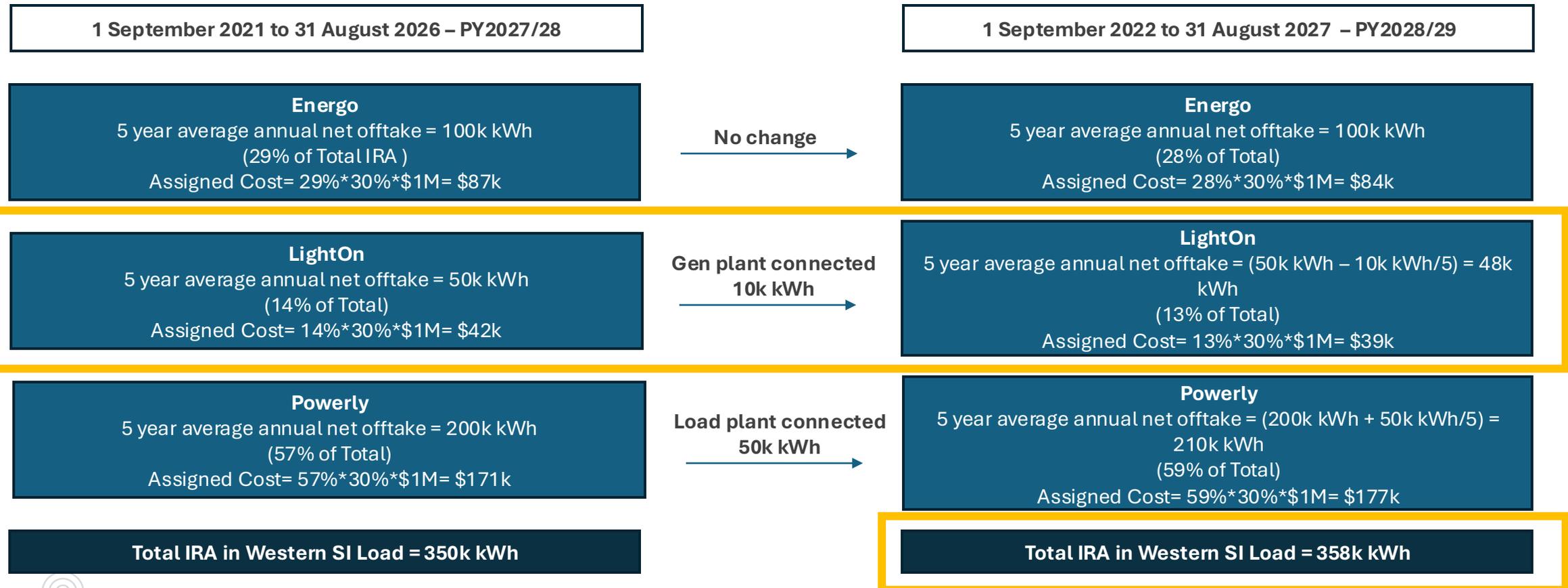
Option 2: Increase only IRA update

- Allocations will only be adjusted if the IRA has increased. IRA will not be adjusted for customers who has increase their offtake or injection from the based IRA (the IRA used to calculate starting allocations).
- IRA will be adjusted for embedded large plant disconnection which the customers has to inform Transpower.



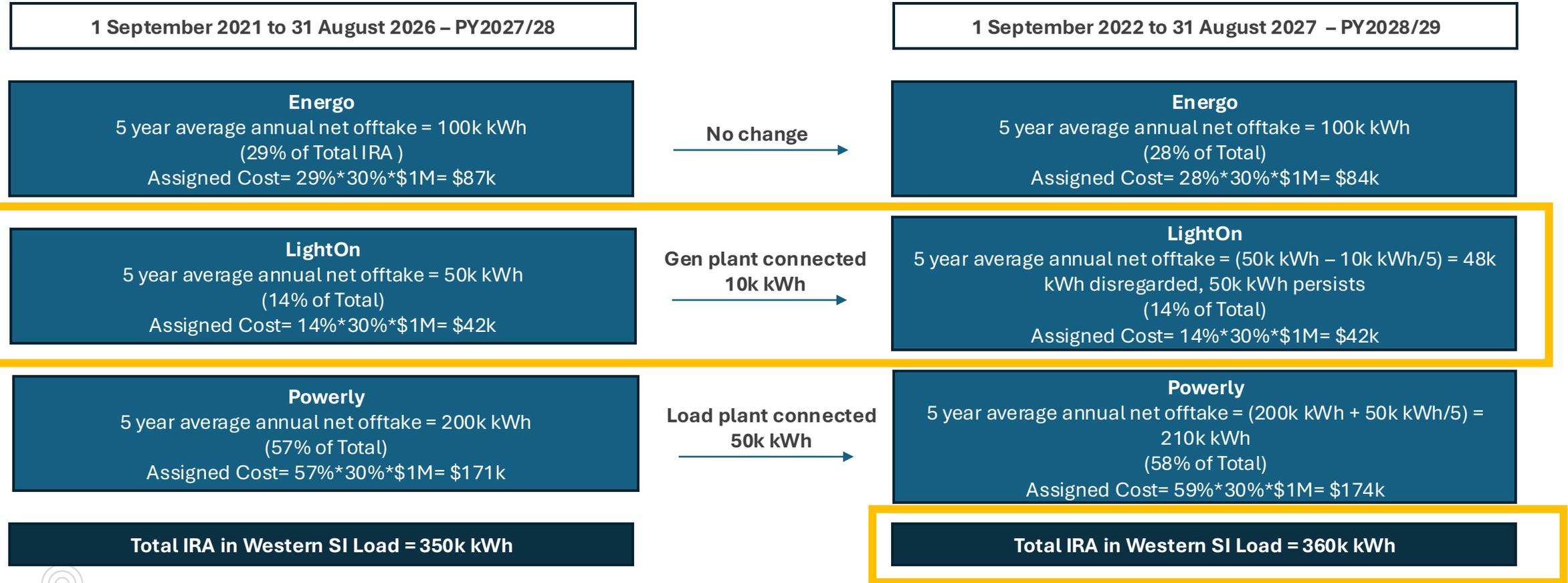
Worked example: Annual Intra-Regional Allocator update (Option 1: annual IRA updates)

- Simplified assumption:
 - A BBI has a covered cost of \$1M (for simplicity it does not change YoY)
 - There are 2 beneficiary regions Western SI and Northern SI. Western SI Load has a RNPB of 30%, Northern SI Gen has a RNPB of 70% (Western SI Load total BBC is \$300k and Northern SI Gen total BBC is \$700k)
 - There are 3 beneficiaries in Western SI Load (EnergO, LightOn and Powerly)



Worked example: Annual Intra-Regional Allocator update (Option 2: increase only IRA updates)

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IRA update impact on BBC Adjustment events

BBC Adjustment event type	Option 1: Annual IRA updates	Option 2: Increase only IRA updates
Material damage	Unaffected	Unaffected
New Customer	Removed + Connection Charge Adj event date aligned with IRA updates	Removed + Connection Charge Adj event date aligned with IRA updates
Exiting Customer	Unaffected	Unaffected
Large Plant Connected or Disconnected	Removed	Removed for connections, for Disconnections a requirement to inform TP is introduced
Substantial Sustained Increase	Removed	Removed
Distributor connection at Grid Point of Connection	Removed	Removed
Changed Point of Connection	Removed	Removed
Sale of Business	Removed + Connection Charge Adj event and Residual charge adj event date aligned with IRA updates	Removed + Connection Charge Adj event and Residual charge adj event date aligned with IRA updates
Voluntary Under-recovery	Unaffected	Unaffected
SSCGU	Unaffected	Unaffected





Q+A

Wrap up

- Question
- Q+A on website
- Submissions
- We expect to submit proposals to the EA in April

