

Terms of reference for Transmission Pricing Methodology working group

Introduction

1. Transpower has initiated an 'operational review' of the Transmission Pricing Methodology (TPM) to address concerns raised by stakeholders after implementation of a new TPM in 2023.
2. To inform and support the review, Transpower established an industry working group (the TPM working group). The TPM working group is intended to inform, test and help validate Transpower's analysis of problems identified with the TPM and its implementation, and potential changes Transpower may propose to the TPM.
3. Its feedback, together with responses to any stakeholder consultation, will inform Transpower decisions on what, if any, changes to the TPM should be submitted for consideration by the Electricity Authority (the Authority).

Background

4. The Commerce Commission (Commission) determines Transpower's regulated revenue requirement for each year (allowable revenue). The TPM specifies how Transpower must allocate its allowable revenue (i.e., set transmission charges) between grid-connected customers (Customers)¹ for each pricing year (PY), beginning 1 April.
5. In April 2022, the Electricity Authority (the Authority) decided to adopt a new TPM that Transpower was required to implement and apply in setting and applying this new pricing methodology (the TPM) to its Customers' charges from 1 April 2023. This was following a period of more than 16 years of review and debate surrounding the appropriate mechanism to allocate transmission costs.
6. Under the new TPM, the total amount of allowable revenue Transpower collects through transmission charges remains 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 (i.e., socialised) to a benefit-based system, allocating costs to beneficiaries.
7. In early 2025, Transpower engaged Concept Consulting Group (Concept) to better understand what is working well following implementation of the TPM by Transpower, and areas where potential improvements can be made to benefit Transpower's Customers and consumers, in line with the intent of the TPM, as set out by the Authority as being to:

"...bring substantial benefits to consumers in the years ahead, through stable, robust, and efficient transmission pricing. The new benefit based approach will lay solid foundations for the substantial investment that will be required to meet our decarbonisation goals, by promoting the right investments being made at the right place, at the right time. Over time, the new methodology is expected to contribute to lower electricity prices for consumers and support New Zealand's efficient transition to a low-emissions economy."
8. The findings of the PIR are set out in [Concept Consulting's summary report](#).
9. In November 2025, after completing the PIR, Transpower announced its intent to conduct an operational review of the TPM (Operational Review), which would aim to reduce complexity, uncertainty and volatility in the TPM.

¹ Transpower's Customers are generators, local lines companies and industrials directly connected to the Transmission network.

10. The key objectives of the operational review are as follows:

- a. Refinement of adjustment mechanisms. For example,
 - ceasing charges for a specific site where a multi-site customer exits at that location.
 - reducing/removing in-year adjustments to reduce volatility and customer disruption.
- b. Reconsidering the delineation between the simple and standard methods for calculating Benefit Based Charges (BBCs).
- c. Refinement of BBC charge calculations and their inputs to reduce the need for Transpower to exercise judgement, to reduce complexity, volatility and uncertainty. Overall, to enhance and support stakeholders' ability to understand, replicate and forecast BBCs and, by extension, transmission charges reliably.
- d. Ensuring First Mover Disadvantage and Prudent Discount provisions are appropriate for evolving electrification scenarios.

11. These terms of reference have been adopted to guide the work of the TPM working group.

Purpose

12. The TPM working group's purpose is to inform, test and help validate Transpower's:

- a. analysis of problems identified with the TPM and its implementation
- b. potential changes Transpower may propose to the TPM (which would be submitted for consideration by the Authority)

13. Any changes proposed by Transpower (or any other party) must be consistent with the policy intent of the TPM Guidelines.

14. The following areas are out of scope of the operational review:

- a. Material changes to Connection Charges
- b. Material changes to Residual Charges
- c. Changes to the fundamental principles of the TPM (such as replacing benefit-based charges (BBCs) with another charge type)

TPM working group's role

15. The TPM working group's role is to provide input, views and feedback to Transpower based on members' own experience in the electricity industry, as a current or future electricity consumer, or other relevant group or body.

16. TPM working group members (Members) are appointed as subject matter experts.

17. Members are expected to contribute their own expertise and views, not those of the organisation they work for or otherwise normally represent.

Transpower's role

18. Transpower will:

- a. facilitate the effective operation of the TPM working group by providing appropriate support
- b. make its expectations of the TPM working group and its work clear.

19. To support effective operation of the TPM working group, Transpower will:
- a. provide an independent chair / facilitator
 - b. provide secretariat resources to support efficient operation of the TPM working group
 - c. ensure information and or resources are made available

Relationship between Transpower and the TPM working group

20. The TPM working group is an advisory body. Transpower will consider its input, views and recommendations in addition to any other advice or information available to Transpower, including its own analysis in its decision making.
21. For the avoidance of doubt:
- a. Transpower is not bound to give effect to any TPM working group recommendations.
 - b. The TPM working group is not authorised to speak for Transpower, to make decisions or commitments on Transpower's behalf and does not hold any delegations of authority from Transpower.

TPM working group membership and expectations

22. The TPM working group consists of up to twelve Members appointed by Transpower. Transpower appoints Members after considering applicants against the following criteria:
- a. connection to the electricity sector, as an electricity consumer, market participant or relevant group or body
 - b. ability to contribute to discussion from a relevant perspective and to represent alternative views in a balanced manner
 - c. ability to work with diverse individuals respectfully, cooperatively and in good faith
 - d. desire to improve electricity outcomes for New Zealand as a whole.
23. In addition, Transpower endeavors to ensure the TPM working group has an appropriate mix of individuals representing a diverse cross-section of New Zealand electricity interests.
24. Transpower may replace a Member who resigns or is removed from the TPM working group with a representative from a different organisation as Transpower sees fit to meet the purpose of the TPM working group.
25. The TPM working group is expected to be established for approximately 12 months. Subject to paragraphs 26 and 27, Members are appointed until the end of January 2027, or such longer period as agreed between a Member and Transpower if the duration of the TPM working group goes beyond the end of January 2027.
26. Members may resign at any time by notifying Transpower. Resigning Members must give as much notice as practicable.
27. Transpower may remove a Member at any time and for reasonable cause (e.g., for not complying with the TPM working group member responsibilities set out below) by notifying the Member. Transpower will provide a summary of reasons for the removal if requested by the Member.
28. Transpower's Executive General Manager Strategy, Regulation & Governance (or nominee) approves all Member appointments and removals.

TPM working group member responsibilities

29. All Members must:

- a. Be actively involved
- b. Behave ethically
- c. Respect others
- d. Protect confidential information
- e. Communicate appropriately, and
- f. Manage conflicts of interest.

30. Members must be able to commit approximately one day per month to:

- a. complete pre-reading prior to scheduled online meetings;
- b. participate in online meetings with an independent Chair; and
- c. review TPM Operational Review documents.

Work programme and schedule

31. The TPM working group schedule and work programme will support Transpower's operational review process. The planned work packages and high-level timeline are set out below:

Work packages

Work package	High level scope	Advice by
One (a)	Adjustment events Prudent Discounts First Mover Disadvantage	March 2026
One (b)	Enabling Code changes [second simple method period commencement date]	March 2026
Two	BBCs: Simple Method review	December 2026
Three	BBCs: Standard Method review	December 2026
Four	Regulatory alignment and any remaining issues identified in previous workstreams	TBD

High level timeline – to April 2026

	Event	Date
1	Invite applications for TPM working group membership	10 December 2025
2	Applications for membership of the TPM working group close	16 January 2026
3	Announce TPM working group membership	Late January 2026
4	Online meeting 1: 2-hour discussion	Early February 2026
5	Online meeting 2: 2-hour discussion	Mid-February 2026
6	Transpower publishes work packages 1 a & b for industry comment	Early March 2026
7	Written submissions close & Transpower publishes responses to submissions	Mid-March 2026
8	Transpower submits code change proposals for work packages 1 & 2 to the Authority for consideration	April 2026

Independent Chair

32. Transpower will appoint an Independent Chair who is not a Member.
33. The Independent Chair will:
 - a. facilitate and chair the online meetings
 - b. enable TPM working group members to contribute and encourage collaboration
 - c. interface with Transpower, develop meeting agendas and ensure materials presented to the TPM working group are fit for purpose.
 - d. facilitate the creation of TPM working group meeting outputs (such as recommendations or messages) that can be considered by Transpower
 - e. make decisions on how to manage Member conflicts of interest, and
 - f. resolve any Member disputes and escalate Member disputes to Transpower if necessary.

Payment

34. Membership of the TPM working group is on a voluntary basis and is not paid.
35. Transpower will reimburse Members' reasonable and legitimate expenses associated with membership of the TPM working group, in accordance with any guidelines issued by Transpower.

Disputes

36. Disputes between Members, or disputes between Members and Transpower relating to the TPM working group, will be referred to the Independent Chair.
37. The Independent Chair may escalate disputes between Members to Transpower.
38. Transpower's Head of Grid Pricing (or nominee) and the Independent Chair will endeavour to resolve disputes between Members and Transpower and escalated disputes between Members.
39. Disputes about the meaning of these Terms of Reference are resolved by determination by Transpower's Executive General Manager Strategy, Regulation & Governance (or nominee), whose decision is final.

Confidentiality

40. Members are not expected to disclose confidential information.
41. Should any Member need to disclose confidential information they should contact the Independent Facilitator to consider whether the information needs to be disclosed and, if so, arrangements to be made to facilitate disclosure.

General

42. These Terms of Reference are to be interpreted and applied flexibly and pragmatically to achieve the purpose of the TPM working group.
43. The TPM working group may be disestablished or suspended at any time by resolution of Transpower's Executive General Manager Strategy, Regulation & Governance (or nominee).