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Commerce Commission
Attention: Matthew Clark

By Email: infrastructure.regulation@comcom.govt.nz

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Transpower IM amendment (Recoverable costs) draft decision

We welcome the opportunity to submit to the Commission's consultation, published 25 June 2026, on a potential IM amendment to address discrete issues with operating the recoverable cost mechanism.

We support the proposed amendment to Input Methodologies clause 3.1.3(1)(d)(iii) of the Transpower Input Methodologies (IMs) Determination. The proposed amendment will ensure that prudent and efficient expenditure on non-transmission solutions (NTS) can be recovered.

Background

In our February submission to the Commission on the Capex IM Incentives formula, we raised a concern that the current drafting of IM clause [1]3.1.3(1)(d) may, in certain circumstances, prevent the recovery of prudent and efficient NTS expenditure and therefore does not fully give effect to the original policy intent. The Commission also identified that the current provision can create an unintended conflict with the major capex incentive framework.

As outlined in our submission[2], where an NTS is successfully procured to defer a transmission investment, but the transmission investment ultimately proceeds, the current provision may result in the NTS expenditure being fully penalised. This outcome could arise even where ongoing NTS expenditure is prudent and efficient and has delivered benefits to consumers by deferring transmission investment.

We suggest a redraft to the proposed amendment for "maximum recoverable costs"

The Commission has proposed replacing IM clause 3.1.3(1)(d)(iii) with: "*where the operating costs incurred do not exceed the expenditure on a non-transmission solution approved as part of the major capex allowance*." The revised drafting removes the interaction between NTS operating expenditure and the comparison against the major capex allowance that gave rise to the issue identified in our February 2026 submission. The amendment therefore materially addresses the recoverability concern we identified. We consider there may be benefit in further clarifying the drafting to ensure consistency

[1] Clause 3.1.3(1)(d)(iii) provides that operating costs may be treated as recoverable costs: "*where the sum of the operating costs and the major capex approved by the Commission in relation to the major capex project does not exceed the major capex allowance.*"

[2] TP_Sub_CapexIM_IncentivesFormula_20Feb2026

between the Transpower IM and the Capex IM. Specifically, using the defined term “maximum recoverable costs” as the upper bound for NTS expenditure. This would ensure that operation of the relevant NTS can continue and provides an amendment route for that MRC according to Schedule H of the Capex IM.

We therefore propose that IM clause 3.1.3(1)(d)(iii) be amended as follows: "*where the operating costs incurred do not exceed the maximum recoverable costs on a non-transmission solution approved as part of the major capex allowance.*"

Yours sincerely,

Rob Tweedie

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