TRANSPOWER

TPM Operational Review: BBC – Understanding the issues Stakeholder webinar

November 2026



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Opening **Karakia**

Kia tau te rangimarie
O te Rangi e tū iho nei
O Papatūānuku e takoto nei
O te taiao e awhi nei
Ki runga i a tātou
Tihei Mauri ora

Translation

Let the peace
of the sky above us
of the earth laid out here
and of the all-embracing universe
settle upon us
Breathe the breath of life

Topic	Presenter	Time
Welcome, agenda and karakia	Victoria Parker, Head of Grid Pricing	1:00 – 1:05
Overview – how we got to this point	Victoria	1:05 – 1:10
BBCs – Understanding the Issues *The four main issues we want to understand*	Micky Cave, Senior Regulatory Advisor, Grid Pricing	1:10 – 1:20
Further analysis and insights	Jeremy Cain, Chair of Transpower's TPM Industry Working Group	1:20 – 1:35
Why your feedback matters	Victoria	1:35 – 1:38
Q & As	Team response	1:38 – 1:58
Ngā mihi e karakia	Will Hancock, Regulatory Advisor, Grid Pricing	1:58 – 2:00

Overview

A recap on why we're undertaking the Operational Review, and how this consultation fits

Victoria Parker, Head of Grid Pricing



Why review?

- The TPM determines how Transpower recovers the annual cost of running the national electricity grid (~$1bn) from our transmission customers.
- We want to make sure the TPM continues to meet its intended objectives and that customers can easily understand and manage their transmission charges.
- Since the Authority introduced the new TPM in 2023, we've listened to feedback from customers and investors about how it could work better, particularly around reducing uncertainty, volatility and complexity.
- The Operational Review aims to improve the operation of the TPM, addressing potential issues identified by stakeholders and Transpower since the implementation of the TPM.

What has happened so far

- TPM implemented in 2023
- Post-implementation review in 2025
- Operational review started late 2025:
  - First consultation on ‘quick wins’
  - Proposals to EA in April 2026
  - Decisions by EA on ‘quick wins’ – earlier this week
  - Analysis of issues with BBCs
  - This consultation is on issues with BBCs



What customers have told us

You value:

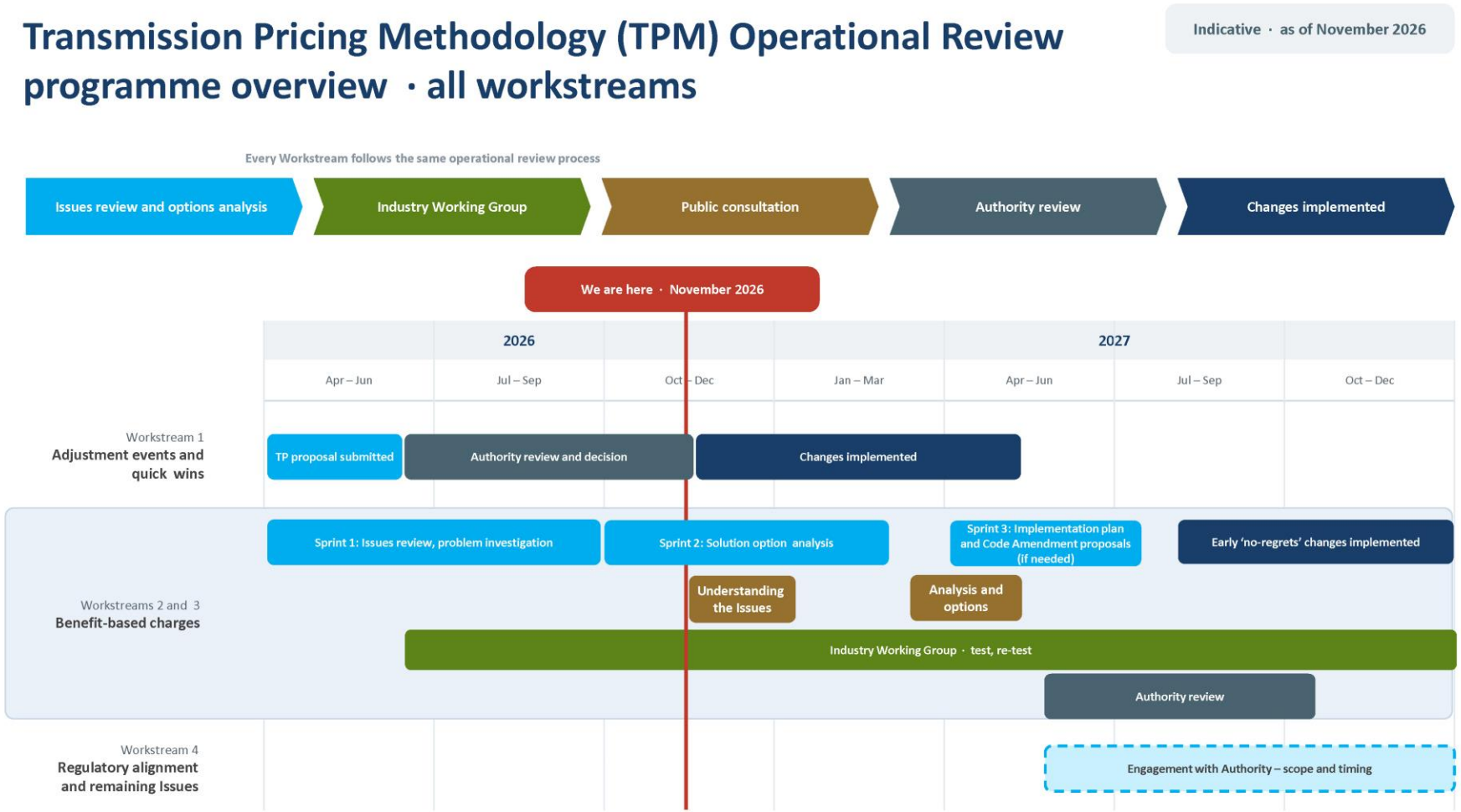
- Stability of prices (budgeting, pricing management)
- Ability to forecast prices (investment horizons)
- Pricing information that will support engagement with our investment planning processes at the right time
- Transparency & visibility of the process

We're focusing on:

- Reducing frequency of change/volatility
- Improving resources + adjusting processes to reduce complexity and support forecasting
- Identifying where rule change may be needed to: better achieve policy intent + address unintended consequences



How this consultation fits



BBCs: Understanding the issues

Micky Cave, Senior Regulatory Advisor – Grid Pricing



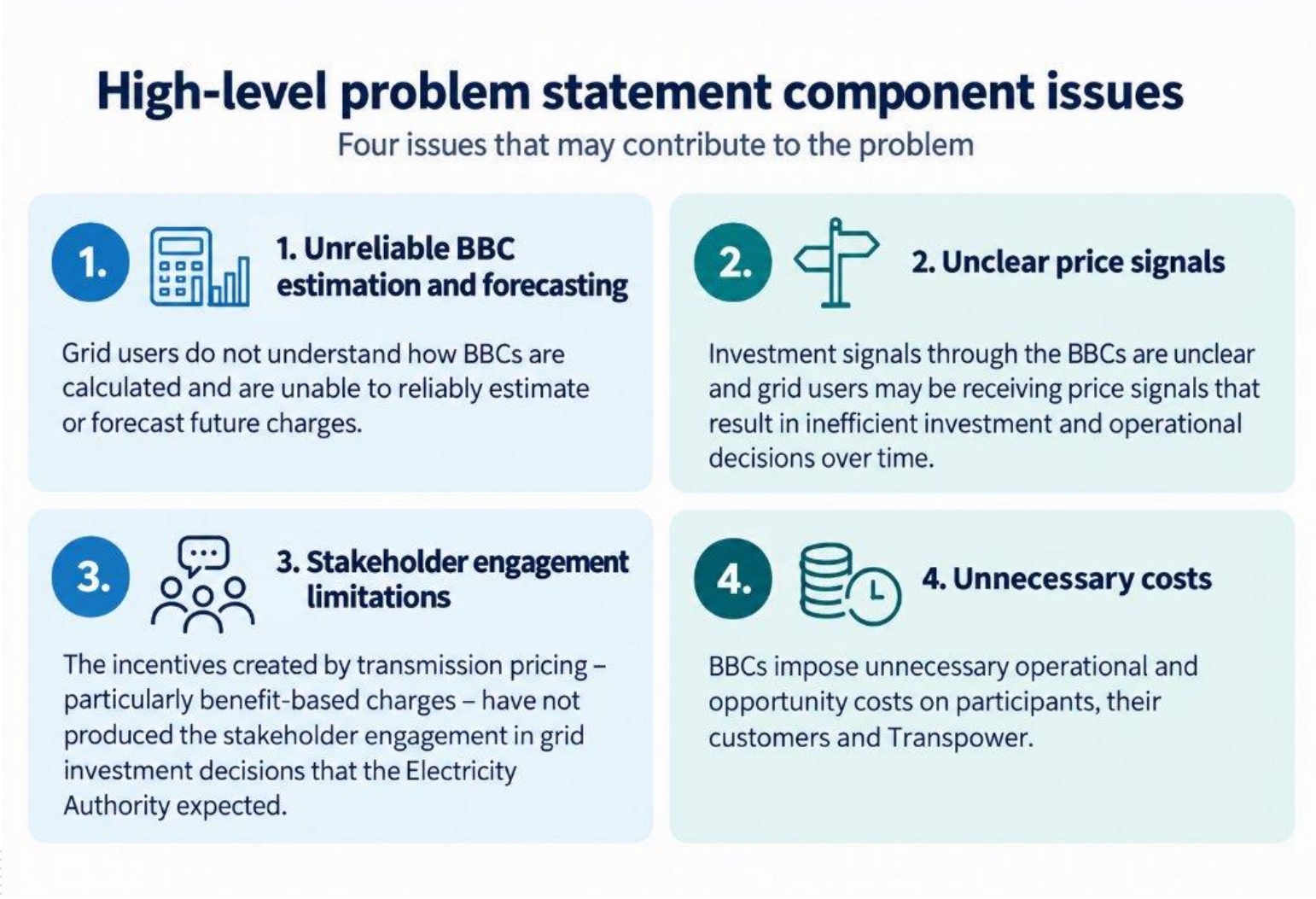
BBC workstream – Understanding the issues

Benefits-based charging – the Authority's policy intent

Core expected outcome	Why beneficiary pays is expected to deliver it
Efficient grid-user investment	Exposure to the costs of transmission investment should cause grid users to take those costs into account in location, capacity and other investment decisions.
Efficient transmission investment	Beneficiaries bearing costs should increase scrutiny and discourage support for investments whose benefits do not justify their costs.
Better information and engagement	Customers expecting to pay have stronger incentives to engage with investment proposals, providing better information to Transpower and the Commerce Commission
Efficient operation / avoidance	Once an investment is made, relatively fixed BBCs should avoid incentives to alter grid use merely to avoid or shift transmission costs.
Long-term	The combined effect should be efficient investment, lower system costs, support for electrification and decarbonisation, and ultimately lower electricity prices.

Testing our problem statement:

The expected outcomes of the beneficiaries-pay policy may not materialise over time under the current implementation of the TPM and, due to unintended consequences, the BBCs are impeding efficient investment and operational decisions across the electricity sector and imposing unnecessary costs on grid users.



Independent analysis: we've engaged a specialist economic consultant experienced in economic regulation, infrastructure pricing and electricity market analysis.

The consultation seeks to test whether the issues identified to date accurately reflect stakeholder experience, are supported by evidence, and capture the underlying causes of any issues with the current arrangements. Our consultation is to understand stakeholder perspectives on the issues. This work is seeking services to assess the issue from a quantitative and qualitative economic and analytical lens, to understand if it is material and has the potential for inefficient outcomes. Both are separate, but complementary workstreams that strengthen and test the issues.

For each issue, the consultant should test whether it is credible, material, attributable to the current implementation of the TPM, and capable of creating inefficient outcomes. The analysis should assess four identified BBCs issues, including their materiality, behavioural impacts, attribution, investment impacts and wider economic consequences.

Further analysis and insights



Estimating and forecasting BBCs

1. Through interviews, including with Industry Working Group members, Transpower heard that:
   - TPM/BBC estimation and forecasting issues led to significant uncertainty
   - This uncertainty led investors to assume ‘worst case scenarios’, reflected as risk premiums in business cases
   - Those risk premiums have the effect of altering investment cases:
     - Raising required revenue for generation investment
     - Reducing the benefits of electrification investment by offtake
2. Transpower publishes indicative prices and formal estimates on request (for ~1-4 years)
3. Longer term price forecasts inform investment decisions but are not currently available

A natural question is the extent to which this uncertainty is inherent i.e. market uncertainty, or, a product of TPM / BBC design, or some other factor. This prompted further analysis.

Analysis by TPM industry working group Chair

1. It is possible to forecast with a degree of confidence:
   - Transpower's long-term revenue path
   - forecast the shift between TPM charges over time (connection, residual, Appendix A, other BBCs)
   - connection, residual and Appendix A charges at an individual customer level
2. It is not currently possible to forecast with confidence simple and standard method BBCs:
   - Simple method: requires foresight of change in grid use + asset management decisions (i.e. what investment, where, when)
   - Standard method: similar to simple method but 'lumpier' investment, less granular allocation

Key issue: simple + standard method grow from ~10% to >50% of transmission revenue over next ~decade

What that looks like qualitatively

1. Connection, residual and Appendix A revenues are flat or declining (in relative terms), have predictable revenue and low allocation uncertainty combining to provide low-medium aggregate uncertainty.
2. Simple and standard method BBCs are increasing materially, have high revenue and allocation uncertainty combining to provide very high aggregate uncertainty.
3. This is illustrated by the semi-qualitative assessment in the table below – and then shown in charts on subsequent slide

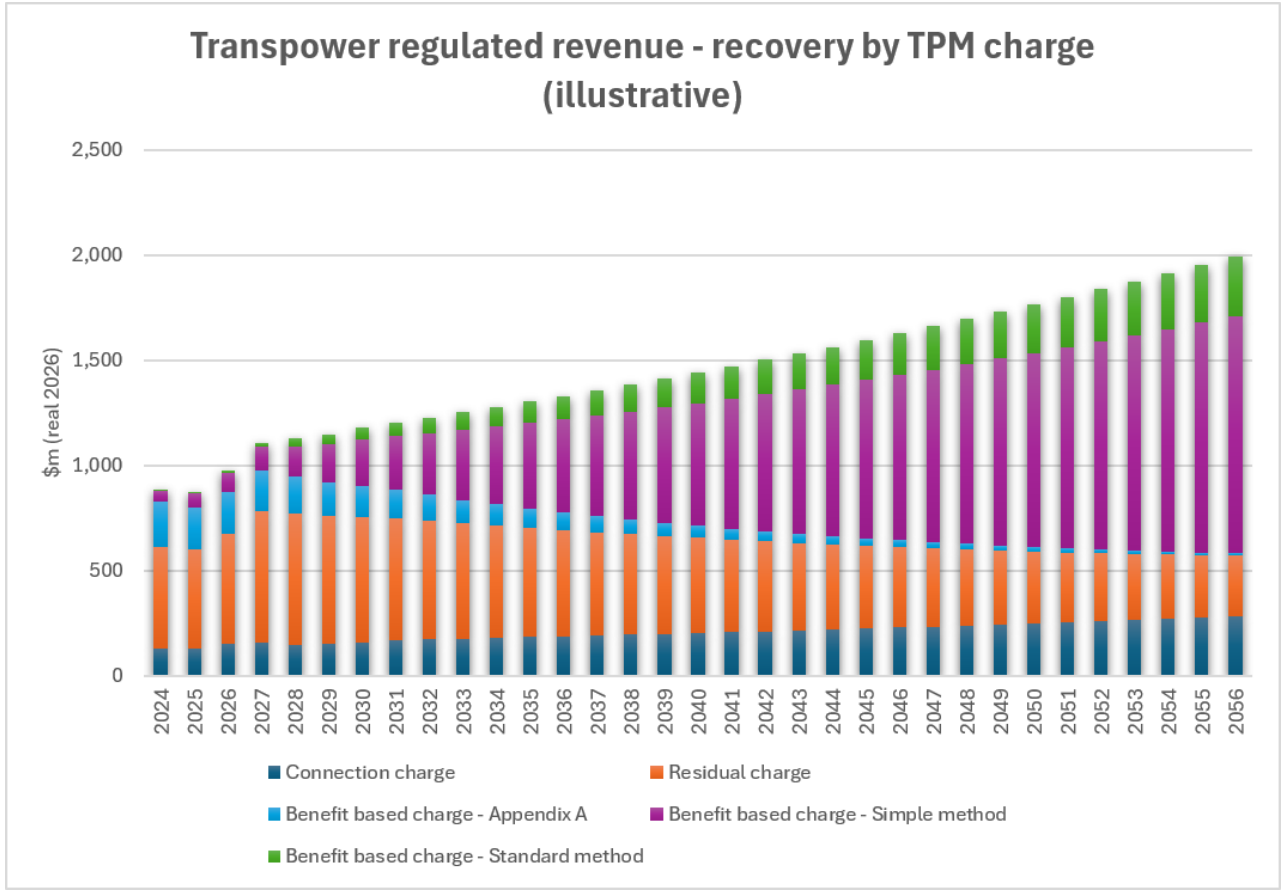
		~% revenue PY26	~% revenue 2050	Revenue uncertainty	Allocation uncertainty	Aggregate uncertainty	Assumed % uncertainty
1	Connection charge	14%	14%	Low	Low-med	Low-med	10%
2	Residual charge	56%	19%	Low-med	Low	Low-med	20%
3	Appendix A	18%	1%	Low	Low	Low	10%
4	Simple method	10%	53%	Med-high	High	Very high	200%
5	Standard method	1%	13%	High	High	Very high	300%

What that looks like quantitatively: chart 1 > shift in charges

This chart projects change in total revenue and recovery through TPM charges:

- Regulated revenue grows at historical trend
- Shift in recovery between TPM charges based on TPM
- Assumes connection charges remain constant as % of revenue, residual charge declines
- Appendix A BBCs reduce to close to zero
- Simple + standard BBCs recover growing % of revenue.

With some effort, this level of forecasting can be done with a relatively high degree of confidence.



Note: this analysis is a ‘first cut’, top-down and illustrative, uses public information where available and makes informed assumptions elsewhere.

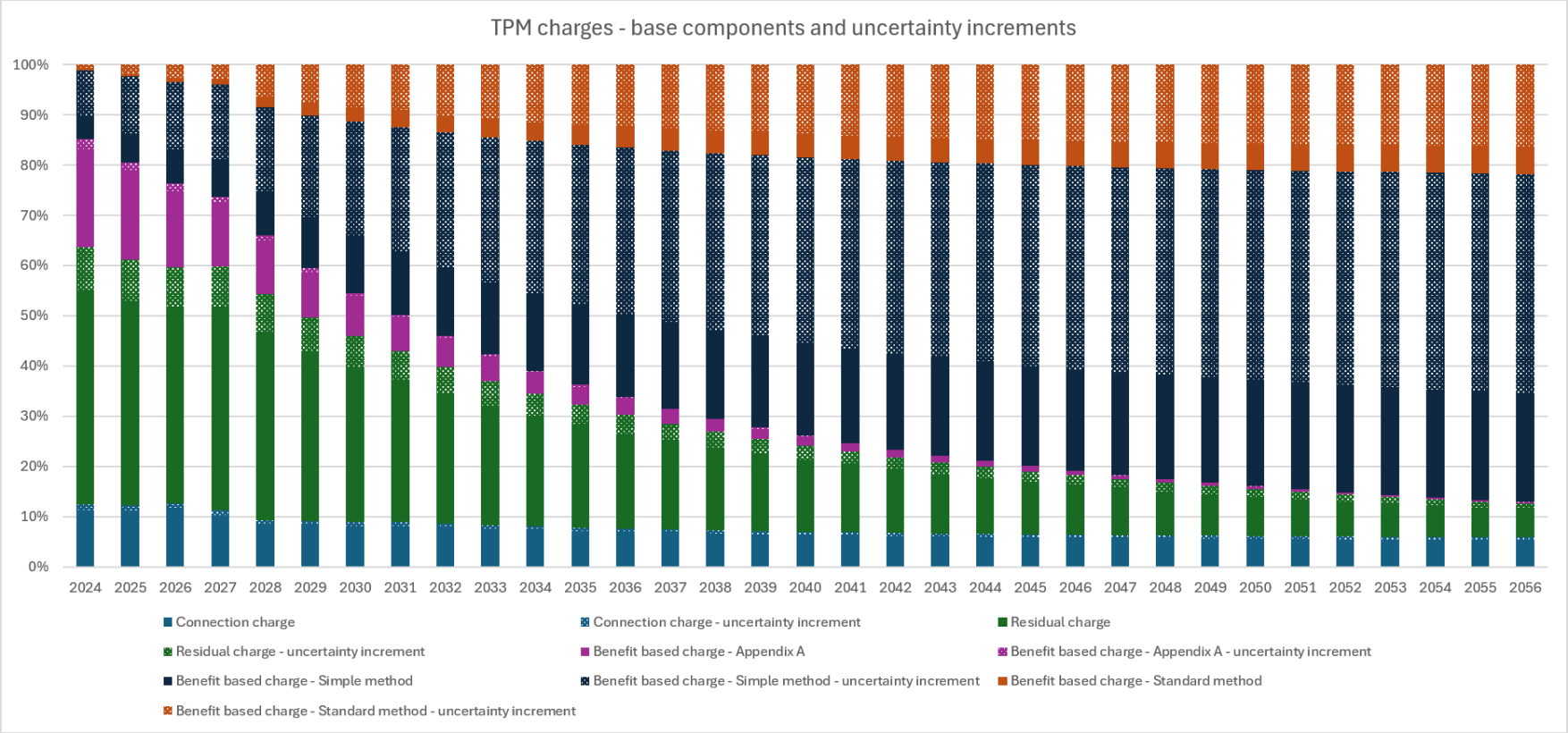
What that looks like quantitatively: chart 2 > uncertainty range

This chart shows the:

- TPM charges (solid part of the bars)
- uncertainty increments for each charge (patterned part of the bars)

Highlights growing uncertainty as recovery shifts from:

1. Residual + Appendix A
2. Simple and standard method



Note: this analysis is a ‘first cut’, top-down and illustrative, uses public information where available and makes informed assumptions elsewhere.

Key takeaways

While this is only a high level analysis, it indicates:

1. there are steps Transpower can take to support long term forecasting of transmission charges
2. uncertainty mainly impacts simple and standard method BBCs
3. uncertainty increases as those BBCs recover a bigger proportion of costs
4. it impacts now as investors seek to account for transmission costs in business cases

Why your feedback matters

- Understanding the issues is critical
- Your real-world experience essential to that
- Transmission pricing is complex and only a small part of the energy bill, but issues:
  - are potentially very material
  - are likely to increase over time absent change
  - impact all electricity users and suppliers.



Looking ahead

The submissions we receive and the independent analysis will inform the next stage of this workstream.

1	**Review submissions** Late 2026/early 2027	Once the consultation closes, we will assess submissions and supporting evidence, refine the problem statement where necessary, and identify any further analysis needed.
2	**Independent analysis** Early 2027	Tests whether the problem statements are credible, material, attributable to the current implementation of the TPM, and capable of creating inefficient outcomes.
3	**Confirm the issues** Early 2027	Together, the consultation evidence and independent analysis will confirm or revise the issue framing and subsequent options assessment and investigation.
4	**Agree way forward** Early/mid 2027	Work with the Authority to agree the best way forward – this will include developing solution options Transpower can implement to improve the operation of BBCs.
5	**TPM policy issues** Early 2027	Any issues relating to TPM policy are out of scope of this Operational Review and will be referred to the Authority for its information.
6	**Working together** Ongoing	Continue working with the IWG and coordinate closely with the Authority. Any future TPM change remains subject to the Authority's consideration and approval.

Questions

Team response

Thank you

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Closing **Karakia**

Unuhia, unuhia,
Unuhia ki te uru tapu nui
Kia wātea, kia māmā, te ngākau,
Te tinana, te wairua, i te ara tangata
Koia rā e Rongo, whakairia ake ki runga
Kia tina! Tina! Hui e! Tāiki e!

Translation

Draw on, draw on
draw on the supreme sacredness
to clear, to free the heart,
the body and spirit of humankind
That is Rongo suspended high above us
Draw together! Affirm!

What that looks like quantitatively: chart 3 > uncertainty range

This chart shows the aggregate split into:

- base charge
- uncertainty increment

The crucial point is the uncertainty increment grows from 20% to 60% over time as BBCs take over (and the more uncertain BBCs displace the comparatively predictable Appendix A BBCs).

Note: approach / assumptions to be tested, as is this entire appendix.

