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TPM Operational Review
Transpower
22Boulcott Street
PO Box 1021
Wellington, 6011

By email to: tpmreview@transpower.co.nz

Tēnā koutou

SUBMISSION ON THE TPM OPERATIONAL REVIEW

Unison Networks Limited (Unison) and Centralines Limited (Centralines) are consumer-owned electricity distribution businesses serving communities in Hawke's Bay, Taupō, Rotorua, and Central Hawke's Bay. We appreciate Transpower's continued engagement with industry participants as part of the TPM Operational Review. We support efforts to improve the workability, transparency, and predictability of the Transmission Pricing Methodology (TPM) while maintaining the underlying objective of allocating transmission costs in a manner that promotes efficient investment and long-term consumer benefit.

As consumer-owned entities, we operate in the best interests of the communities we serve. Guided by our vision, and values, we strive to deliver economic benefits to both our customers and community shareholders, while championing a sustainable energy future. We are committed to maintaining the right balance between keeping electricity affordable and making strategic investments that secure the long-term reliability and resilience of our network. In all aspects of our operations, we place strong emphasis on meeting industry compliance requirements, ensuring we uphold all relevant standards. This approach not only supports New Zealand's transition to new energy solutions but also enables our communities to access cleaner, smarter, and more flexible energy options, now and for generations to come.

Executive Summary

Transmission charges flow through to electricity consumers via distribution and retail pricing. Improvements that reduce unnecessary administrative complexity, pricing volatility, and regulatory transaction costs contribute directly to improved consumer outcomes.

In progressing these operational improvements, it remains important that the TPM continues to provide cost-reflective and neutral pricing signals across the transmission–distribution interface, supporting efficient whole-of-system outcomes.

Overall, we support the proposed operational improvements, particularly:

- batching of adjustment events
- removal of adjustment mechanisms that are difficult to apply in practice.
- housekeeping amendments to improve clarity and administration of the TPM.

These proposals are pragmatic steps that address operational challenges that have emerged since the TPM was implemented in April 2023.

1. Adjustment Event Timing

We support Transpower's proposal to batch adjustment events and treat adjustment events as occurring on 30 June.

Under the current framework, adjustment events may occur multiple times within a pricing year. This can create administrative complexity and make it difficult for distributors to incorporate transmission charges into annual pricing.

Batching adjustment events should:

- improve alignment with distributor pricing cycles.
- reduce administrative burden.
- improve predictability of transmission charges.

While batching may slightly reduce the precision of cost allocation relative to event timing, we consider that the benefits of greater stability and reduced transaction costs are likely to outweigh this loss of precision.

2. Adjustment Event Thresholds

We agree that the current 10 MW threshold used to define "large plant" may be lower than originally anticipated when the TPM was developed. The consultation paper indicates that most adjustment events relate to embedded generation projects between 10 MW and 50 MW, suggesting the threshold may be triggering adjustment events more frequently than anticipated.

We support the consideration of increasing the threshold to 25 MW. Increasing the threshold should help reduce the number of adjustment events, improve the operational workability of the TPM, and reduce administrative burden for both Transpower and transmission customers.

At the same time, it is important that the TPM continues to allocate transmission costs using a consistent whole-of-system lens, reflecting underlying network use, and maintaining neutral cost-reflective signals across both transmission and distribution connections.

Adjustments to threshold settings should be designed to preserve effective pricing signals and avoid creating incentives for embedded generation or load to connect at the

distribution level primarily to circumvent transmission charges. Where embedded generation or distributed load materially affects transmission network utilisation, such impacts should continue to be appropriately reflected in transmission pricing.

Preserving a neutral and cost-reflective interface between transmission and distribution pricing is essential to ensure that connection decisions are guided by efficient system outcomes rather than by disparities in pricing methodologies.

3. Removal of Substantial Sustained Increase (SSI) Adjustment Events

We support Transpower's proposal to remove SSI adjustment events. In practice, these adjustment events appear difficult to implement due to limited access to reliable consumption and generation data, reliance on customer self-reporting, and the need for subjective judgement. Removing these adjustments should improve the workability and transparency of the TPM while reducing unnecessary administrative complexity.

4. Connection Charge Issues

We support further consideration of how unused capacity on shared connection assets is treated where customer disconnections occur. In these situations, remaining customers may face substantial changes in charges that do not reflect their underlying capacity requirements. Clarifying the allocation of costs associated with unused capacity would support more predictable price signals, encourage efficient connection and disconnection decisions, and remain consistent with the intent of the TPM.

5. Housekeeping Amendments

We support the proposed housekeeping amendments, including extending the first simple method period and removing redundant TPM provisions. These changes should help improve the clarity, consistency, and usability of the TPM.

6. Risks and Opportunities

The proposed operational improvements offer an opportunity to enhance the TPM's workability and predictability while upholding clear and efficient pricing signals.

Any simplification should be evaluated from a whole-of-system perspective to maintain cost-reflective, locationally neutral signals and to avoid unintended incentives at the transmission–distribution interface. While simplification can reduce administrative burden and improve usability, it is essential to ensure that changes do not inadvertently distort pricing signals or introduce structural biases between transmission and distribution connections. The TPM must continue to reflect material impacts on transmission utilisation, regardless of whether load or generation connects at the transmission or distribution level.

Preserving cost reflectivity and neutrality across network layers is critical to supporting efficient investment decisions, preventing inefficient bypass, and maintaining confidence in the pricing framework as the electricity system continues to decentralise

7. Conclusion

Overall, we consider the proposed operational changes represent pragmatic improvements that should enhance the usability, predictability, and administrative workability of the TPM. These refinements have the potential to reduce unnecessary complexity and regulatory transaction costs while maintaining the core objectives of the framework.

As the TPM continues to evolve, it will be important that operational simplifications are assessed through a consistent whole-of-system lens, ensuring that transmission and distribution pricing methodologies remain cost-reflective and neutral in the signals they provide. Changes should avoid weakening locational pricing signals or creating structural bias in connection decisions for either load or generation.

Where embedded generation or distributed load has a material impact on transmission network utilisation, those impacts should continue to be appropriately reflected in transmission charges. Preserving clear, neutral, and cost-reflective pricing signals across the transmission–distribution interface will support efficient system outcomes and deliver long-term benefits for electricity consumers.

We appreciate the opportunity to provide feedback and would welcome ongoing engagement with Transpower as the TPM Operational Review progresses.

Nā māua noa, nā

Jason Larkin / Tarryn Butcher
GM Commercial and Regulatory / Regulatory Manager
tarryn.butcher@unison.co.nz