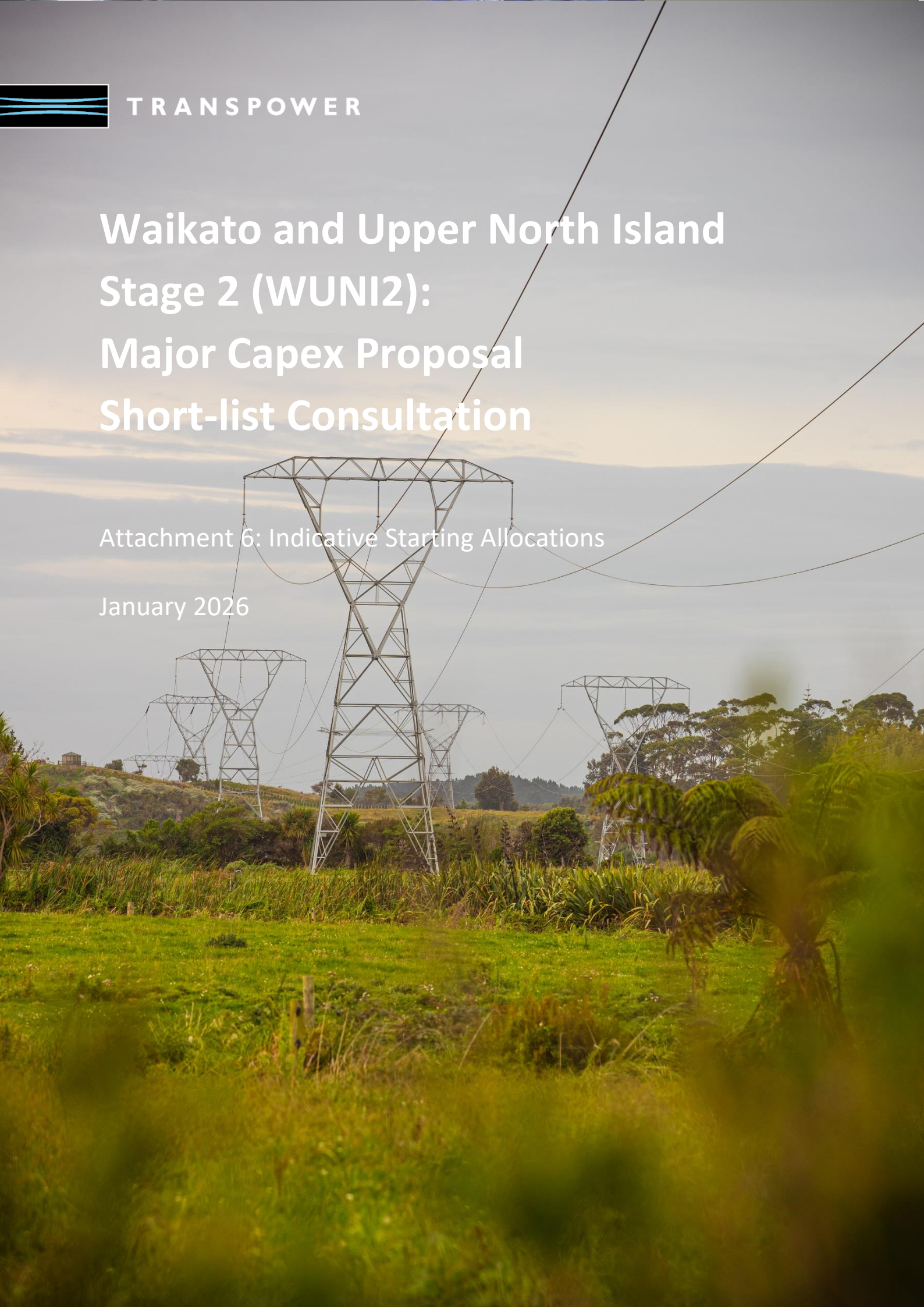
TRANSPOWER

Waikato and Upper North Island Stage 2 (WUNI2): Major Capex Proposal Short-list Consultation

Attachment 6: Indicative Starting Allocations

January 2026



Purpose

Under the transmission pricing methodology (**TPM**),[1] the covered costs[2] of post-2019 investments in interconnection assets and interconnection transmission alternatives (post-2019 benefit-based investments or **BBIs**) are recovered from customers identified as beneficiaries. These allocations are based on each customer's expected positive net private benefit (**NPB**) from those investments. The charges through which the covered costs are recovered are called benefit-based charges or **BBCs**. The TPM contains the methods for calculating BBCs.

This Attachment provides stakeholders about the indicative range of starting allocations[3] for the preferred option for the Waikato and Upper North Island (**WUNI**) Stage 2 project, which will result in a high-value[4] post-2019 BBI (referred to as the **WUNI Stage 2 BBI**). The indicative range of starting allocations is based on customer expected positive NPBs associated with the preferred WUNI Stage 2 option outlined in this short-list consultation document.

After this consultation on the short-list of options and the preliminary application of the Investment Test, we will select our preferred option and submit a major capex proposal (**MCP**) to the Commerce Commission (**Commission**). That submission will include the indicative increase in transmission charges associated with the proposal, as required by the Capex IM. Following the Commission's final decision and Transpower's final investment decision on this MCP, we will undertake a formal consultation on the proposed starting allocations for the WUNI Stage 2 BBI, as required by the TPM.

We have used the methodologies outlined in the TPM and BBC Assumptions Book v2.0[5] to produce the indicative starting allocations in this Attachment. However, our calculations have not been at the level of detail we will apply when we calculate proposed starting allocations for the WUNI Stage 2 BBI for consultation under the TPM (as noted above, this will be after the Commission's final decision and Transpower's final investment decision on this MCP). Nevertheless, we consider the indicative starting allocations presented in this Attachment provide a reasonable indication of the distribution of NPB from the preferred option.

We emphasise that the indicative starting allocations in this Attachment are not the proposed or final starting allocations. Transpower cannot, and does not, accept any liability for the accuracy or completeness of the information provided, nor for any consequences arising from any party's reliance on it. We strongly recommend that affected parties review the TPM and Assumptions Book themselves and seek independent expert advice before relying on any information in this

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1 The TPM is in Schedule 12.4 of Part 12 of the Electricity Industry participation Code (Part 12 - Transport).

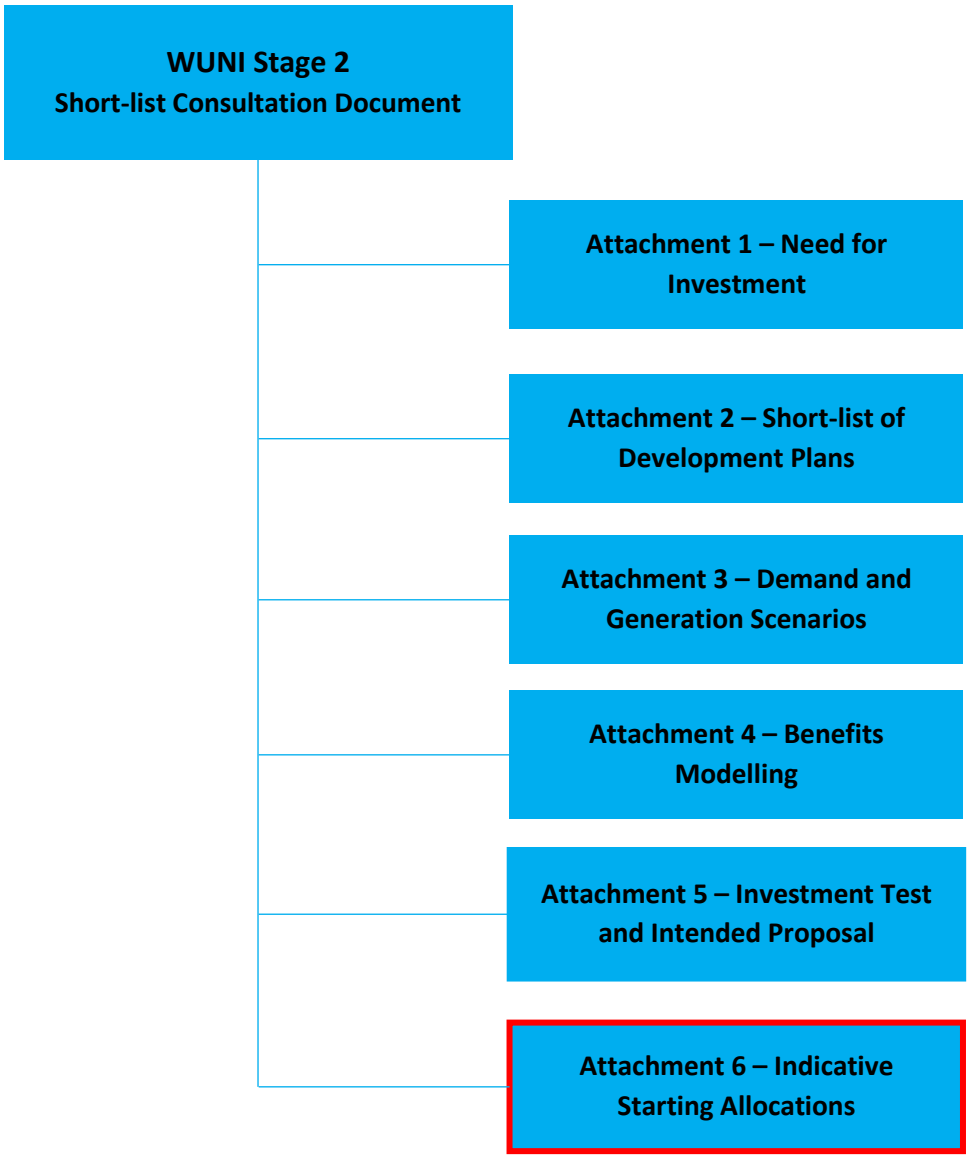
2 The cost recovered through the benefit-based charges for a benefit-based investment is referred to in the TPM as the "covered cost".

3 "Starting BBI customer allocations" is the term used in the TPM. In the rest of this attachment, we use the simpler term "starting allocations". Allocations can change if certain adjustment events occur during the life of the BBI, hence "starting".

4 A high-value BBI is a BBI that is expected to involve capital expenditure and/or transmission alternative operating expenditure of more than the base capex threshold under the Capex IM. The base capex threshold is $30m for this project because it was notified to the Commission after 1 April 2025.

5 Assumptions book | Transpower. The Assumptions Book contains detail about how the TPM is applied to calculate BBCs and the inputs to those calculations.

Attachment. Unless otherwise stated, all clause references in this Attachment refer to clauses within the TPM.



Contents

1 Background

1.1 Investments Comprising the WUNI Preferred Stage 2 Option

The investments that comprise the WUNI Stage 2 preferred option (Option 4b) are the following:

- 100 Mvar shunt capacitor at Pakuranga ($13.3m)
- ±150 Mvar STATCOM at Henderson ($80.3m)
- Duplex Ōtāhuhu–Whakamaru circuits and connect at Ohinewai ($174.9m)
- 100 Mvar shunt capacitor (Auckland region) ($13.3m)
- 100 Mvar shunt capacitor (Auckland region) ($13.3m)
- 100 Mvar shunt capacitor (Auckland region) ($13.3m)
- 2x75 Mvar shunt capacitors at Ohinewai ($21.3m)
- Series compensation on the Brownhill–Whakamaru circuits ($185.9m).

Additional detail about the preferred option can be found in Attachment 5. Noting that if the alternative preferred option, Option 4a, becomes the preferred option, the indicative starting allocations would be similar.

The WUNI Stage 2 Project (Option 4b), which has an expected cost of $515.6 million, will result in a high-value post-2019 BBI because it is an interconnection investment, will be commissioned after 23 July 2019,[6] and is forecast to cost more than $30 million (being the applicable base capex threshold under the Transpower Capital Expenditure Input Methodology 2012 (as amended) (**Capex IM**)). The WUNI Stage 2 Project is expected to be completed, and the investments under it commissioned, by 31 December 2033.

The Assumptions Book, at paragraph 259, describes when it may be necessary to break a project into more than one BBI. We have assessed the individual investments that comprise the WUNI Stage 2 Project against the criteria in paragraph 259 of the Assumptions Book and determined they should be treated as a single BBI because the investments are occurring in the same region and address a single need, namely insufficient transmission capacity in the Waikato and upper North Island region to meet the forecast load growth. In this attachment we call this BBI the **WUNI Stage 2 BBI**.

As the WUNI Stage 2 BBI is a high-value post-2019 BBI, Transpower must use a standard method under the TPM to determine the BBI's beneficiary customers and calculate their starting allocations.

[6] 23 July 2019 is the date the TPM uses to distinguish between pre- and post-2019.

We have used the price-quantity method for the WUNI Stage 2 BBI because it is not a resiliency BBI – its primary investment need is to alleviate, or prevent, transmission constraints that would affect quantities and prices in the wholesale electricity market, not to mitigate a risk of cascade failure or a high impact, low probability event.

Within the price-quantity method there are four types of regional NPB that may be calculated – market regional NPB, ancillary service regional NPB, reliability regional NPB and other regional NPB.

For the WUNI Stage 2 BBI, we have calculated market regional NPB only (regional NPB relating to changes in quantities and prices in the wholesale electricity market). This is because we expect most of the benefits of the BBI to be derived from market benefit.

Within the price-quantity method there are two options for calculating market regional NPB arising from changes in the wholesale market for electricity. The default option is to calculate market regional NPB based on quantities during periods of benefit (clause 51). The alternative option uses both quantities and prices to calculate market regional NPB (clause 52).

For the purposes of indicative starting allocations and BBCs, we have used the price-based option (clause 52) because most of the positive market regional NPB for the BBI's regional customer groups derives from customers avoiding having to pay their estimated cost of self-supply for electricity during peak demand periods. Should this investment proposal proceed, we will reassess this prior to calculating and consulting on the proposed starting allocations for the WUNI Stage 2 BBI.

1.2 What Happens Next?

Subject to feedback from this short-list consultation, we intend to submit an MCP to the Commission to seek approval to recover the costs of the proposed investment.

Following this consultation, we will select our preferred option and include it in the MCP, along with the estimated increases in transmission charges associated with the proposal, as required by the Capex IM.

2 Indicative Starting Allocations

This section summarises the indicative starting allocations for the WUNI Stage 2 BBI.

2.1 Market Scenarios and Other Key Modelling Assumptions

These indicative starting allocations primarily use the modelling assumptions and inputs from the preliminary application of the Investment Test, which are generally consistent with chapter 2 of our Assumptions Book,[7] except those upgrades associated with further stages of the WUNI project have not been modelled, because these will be the subject of future MCPs, if needed.

The counterfactual and factual scenarios are as follows:

- The counterfactual assumes the existing grid without any of the investments comprised in the WUNI Stage 2 project implemented.
- The factual assumes all the investments comprised in the WUNI Stage 2 project are completed.

2.2 Modelled Regions and Market Regional NPB

2.2.1 Modelled Regions

We have calculated indicative starting allocations for the following modelled regions:

- Waikato and Upper North Island (**WUNI**)
- Rest of North Island (**RNI**)
- South Island (**SI**).

2.2.2 Market Regional NPB

Under clause 52 of the TPM, market regional NPB is calculated based on:

- For load customers, the difference in consumer surplus between the factual and counterfactual scenarios, where consumer surplus is the difference between the cost of self-supply and the modelled price, multiplied by load supplied.
- For supply customers, the difference in generator surplus between the factual and counterfactual scenarios, where generator surplus is the price times generation, minus fuel and emission costs.

[7] Assumptions Book | Transpower

In modelling the market regional NPB above, we have not included the change to Loss and Constraint Excess (LCE) payments as per clause 52(3b, 4b). We will include these LCE impacts when consulting on proposed allocations.

The following table shows the indicative share of positive regional NPB to regional demand/supply groups for the WUNI Stage 2 BBI.

Table 1: Indicative share of positive regional NPB to regional demand/supply groups

Regional demand/supply groups	Indicative regional NPB share
WUNI Demand	70 to 80%
RNI Supply	10 to 15%
SI Supply	10 to 15%

2.3 Indicative Starting Allocations

We calculated each customer's indicative starting allocation for the WUNI Stage 2 BBI by dividing the customer's individual NPB by the sum of all customers' individual NPBs. This results in the indicative range of starting allocations shown in Table 2. Customers with no indicative starting allocation have been excluded from the table. As noted earlier in this document, these allocations are indicative only. We will formally consult on the proposed starting allocations separately, once the Commission has issued its decision on our submission and Transpower has made its final investment decision for this MCP.

Table 2: Indicative range of starting BBI customer allocations

Customer Code	Customer Name	Indicative Starting Allocation
VECT	Vector Ltd	Between 50% and 60%
MERI	Meridian Energy Ltd	Between 5% and 10%
WELE	WEL Networks Ltd	Between 5% and 10%
POCO	Powerco Ltd	Less than 5%
CTCT	Contact Energy Ltd	Less than 5%
NPOW	Northpower Ltd	Less than 5%
COUP	Counties Power Ltd	Less than 5%
MRPL	Mercury NZ Ltd	Less than 5%
GENE	Genesis Energy Ltd	Less than 5%
WAIP	Waipa Networks Ltd	Less than 5%
TRUG	Manawa Energy Ltd	Less than 1%
WTOM	The Lines Company Ltd	Less than 1%
NAPA	Nga Awa Purua Joint Venture	Less than 1%
NZST	New Zealand Steel Ltd	Less than 1%

Customer Code	Customer Name	Indicative Starting Allocation
KWGL	Kawerau Geothermal Ltd	Less than 1%
NTRG	Ngatamariki Geothermal Ltd	Less than 1%
TOPE	Top Energy Ltd	Less than 1%
MELW	MEL (West Wind) Ltd	Less than 1%
TRNZ	KiwiRail Holdings Ltd	Less than 1%
UNIS	Unison Networks Ltd	Less than 1%
MSVP	Mercury SPV Ltd	Less than 1%
TARW	Tararua Wind Power	Less than 1%
WAV1	Waverly Wind Farm Ltd	Less than 1%
MELT	MEL (Te Apiti) Ltd	Less than 1%
CHHE	Oji Fibre Solutions (NZ) Ltd	Less than 1%
SOU2	Southern Generation Ltd	Less than 1%
DUNE	Aurora Energy Ltd	Less than 0.1%
TBOP	Nova Energy Ltd	Less than 0.1%
WPOW	Westpower Ltd	Less than 0.1%
LODS	Lodestone Solar Ltd	Less than 0.1%
ALPE	Alpine Energy Ltd	Less than 0.1%
KIWI	Whareroa Cogeneration Ltd	Less than 0.1%
TASM	Network Tasman Ltd	Less than 0.1%
SHPK	Southpark Utilities Ltd	Less than 0.1%

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