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Submission on the TPM Operational Review 2026 Workstream 1 Consultation Paper

Introduction

Thank you for opportunity make a submission on the recent consultation paper on TPM Operational Review 2026 Workstream 1 consultation paper.

Westpower is the electricity distribution business for the West Coast of the South Island. We own and operate the network infrastructure across a geographically challenging, and environmentally sensitive region. In recognition of our operational performance, resilience, and service to the community, Westpower was named Electricity Distribution Business of the Year in 2025. We bring practical experience and representation of EDBs in areas operating in the smaller, yet no less important regions, to this submission.

Westpower has consistently highlighted that the TPM can be difficult to interpret and administer, and that frequent adjustments create uncertainty for network planning and for communicating transmission costs to consumers. Measures that improve workability and predictability are therefore welcome.

However, Westpower emphasises that operational changes must not unduly undermine efficient price signals, particularly where the TPM is intended to support efficient investment decisions for generation, load, and electrification.

Following TPM implementation, some regional networks experienced extreme transmission charge increases that were not reflective of any change in behaviour or benefits received. This indicates that the BBC process is not working as intended and undermines affordability for regional consumers and confidence in the methodology. We also note that the TPM removed the Regional Coincident Peak Demand (**RCPD**) that previously provided important peak usage signals, reducing incentives to manage demand during system peaks. This decision has removed a key tool to encourage Consumers to change their peak usage away from times where the grid is constrained and excessive wholesale peak pricing is incurred. We propose that as part of the TPM review findings that this feedback is provided to the Electricity Authority.

Answers to Questions

Question	Westpower Answer
<p>Question 1: Do you have any comments on the process, timing and/or prioritisation of each of the Operational Review workstreams?</p>	<p>Westpower supports the Operational Review and agrees with the prioritisation of Workstream 1 as focusing on practical quick wins.</p> <p>As a regional EDB, the operational complexity and volatility introduced by the TPM has been significant and resource-intensive to manage. Early improvements that reduce adjustment frequency, uncertainty, and administrative burden are appropriate.</p> <p>We also support Transpower's staged approach, but it is vital that the Authority ultimately revisits whether the TPM is delivering fair and efficient outcomes for regional consumers.</p>
<p>Question 2: Are there any other matters that we should consider as part of the Operational Review?</p>	<p>Yes. Westpower considers that the Operational Review should explicitly consider the disproportionate impact the TPM has had on remote EDBs. Following TPM implementation, some regional networks experienced extreme transmission charge increases that were not reflective of any change in behaviour or benefits received. This undermines affordability for regional consumers and confidence in the methodology. We also note that the TPM removed the RCPD (Regional Coincident Peak Demand) that previously provided peak usage signals, reducing incentives to manage demand during system peaks. This decision has removed a key tool to encourage Consumers to change their peak usage away from times where the grid is constrained and excessive wholesale peak pricing is incurred. It needs to be reinstated.</p> <p>We propose that as part of the TPM review findings, that this feedback is provided to the Electricity Authority.</p> <p>The other issue with the TPM and the proposed major capital investment in the Upper South Island is that regional EDB's will incur ongoing higher transmission costs, even though a number of EDB's in the region do not require additional capacity, and will receive no benefit. These EDB's will essentially be providing a cross-subsidy to other EDB's who do require additional capacity.</p>

	The electricity industry is based on a user-pays principle and on this basis, the cost of additional capacity required should be allocated to those requiring additional capacity.
Question 3: Are there any matters we should specifically exclude from the Operational Review?	No. Westpower supports the current scope as set out and does not consider additional exclusions are necessary.
Question 4: Do you agree with the proposed amendment – batching of adjustments with a deemed 30 June event date?	Yes. Westpower strongly supports batching adjustment events with a deemed 30 June event date. Frequent within-year adjustments are difficult for smaller EDBs to process, forecast and pass through, particularly given retailer pricing cycles and consumer communication constraints. This proposal would materially improve certainty and workability without undermining outcomes.
Question 5: Are there any other options to simplify adjustment events timing that we should consider?	No additional options at this stage. Westpower considers the proposed batching approach to be proportionate and appropriate.
Question 6: Do you support increasing the large plant threshold or annual IRA updates?	Westpower supports increasing the large plant threshold. The existing 10MW threshold is too low and has resulted in unnecessary adjustment events, particularly for embedded plant that has no realistic prospect of connecting directly to the grid.
Question 7: If Transpower proposed raising the threshold for large plant, what threshold would be appropriate?	Westpower considers a threshold of at least 25MW would be more appropriate and better aligned with realistic grid-connection economics, particularly for regional networks.
Question 8: Are there any other options to address trigger or threshold sensitivity?	No additional options.
Question 9: Do you agree the TPM should be amended to remove SSI adjustment events, clarify staged projects, and remove embedded adjustment events?	Yes, in principle. Westpower supports removal of SSI adjustment events, which are unworkable in practice and rely on subjective judgement and self-reporting. We also support clearer rules for staged projects to improve certainty.
Question 10: Are there any other options to improve adjustment event workability?	The extremely complicated calculations to produce the BBC income seems unnecessary when BBC accounts for less than 10% of revenue. Workability could be improved by less emphasis on these calculations.

Question 11: What are your views on the cost benefit analysis for adjustment event proposals?	It completely understates costs for smaller EDBs, including management time, forecasting effort, retailer engagement and customer communication. This needs to be revisited.
Question 12: Do you agree with extending the first simple method period to PY2029 or PY2030?	Yes. Westpower supports extending the first simple method period to avoid unnecessary recalculation, consultation burden and confusion while the Operational Review is underway.
Question 13: Are there any other options for the second simple method period?	BBC is too complicated for the benefit it produces and could be simplified even more for better understanding
Question 14: Do you agree with cleaning up the TPM legal text?	Yes.
Question 15: Are there any other drafting clean-up opportunities?	No further comments.
Question 16: Do you agree disconnection from a shared connection location creates problems?	Yes. Westpower agrees this creates an inequitable and potentially material problem.
Question 17: What other options should be considered?	Westpower supports spreading this risk across a wider customer base rather than leaving it with the remaining customers at the shared connection location.
Question 18: Should this be addressed through the Operational Review?	Yes.
Question 19: Do anticipatory interconnection investments create first mover disadvantage?	Yes.
Question 20: What options should be considered?	Costs should be more broadly shared until future beneficiaries connect. Simplifying the calculations could be a start.
Question 21: Should this be addressed through the Operational Review?	Yes.
Question 22: Under FMD Type 1, who should bear second mover risk?	Westpower considers the risk should not sit solely with the first mover.
Question 23: Is FMD Type 1 not functioning for assets benefiting embedded large plant?	No comment.
Question 24: What options should be considered?	No comment.
Question 25: Should this be addressed through the Operational Review?	No comment.

Question 26: Do you agree with the overall objectives of the Operational Review?	Yes, but the review does not address the fundamental cost-shift impacts on regional consumers.
Question 27: Is the proposed cost benefit analysis approach appropriate?	Yes.
Question 28: Do the benefits outweigh the costs?	The extremely complicated calculations to produce the BBC income are unnecessary when BBC accounts for less than 10% of revenue. The benefits certainly outweigh the understanding and hence the costs. Reducing volatility, administrative burden and uncertainty will materially benefit small EDBs and their consumers.
Question 29: Will the preferred options comply with section 32(1) of the Act?	Yes.

Conclusion

In conclusion, Westpower supports the intent of the TPM Operational Review and the proposed Workstream 1 changes to improve workability, predictability, and administrative efficiency, particularly for smaller and regional EDBs.

However, our experience demonstrates that the TPM, and in particular the benefit-based charge framework, has become overly complex to interpret, calculate, and administer, requiring highly detailed and resource-intensive modelling to produce outcomes that ultimately represent a relatively small proportion of total transmission revenue. This complexity has contributed to volatility, uncertainty, and, following TPM implementation, disproportionate cost impacts on regional networks that are not reflective of changes in behaviour or benefits received. The removal of effective peak demand signals, specifically the RCPD, has further weakened incentives for efficient system use during constrained periods.

While the proposed operational changes are welcome as pragmatic improvements, they do not address the more fundamental concern that the current TPM settings are not consistently allocating costs in line with benefits or user-pays principles, particularly for regions that do not require additional capacity. Westpower therefore encourages Transpower to ensure that these issues are addressed, and conveyed clearly conveyed to the Electricity Authority for consideration, to restore confidence that transmission pricing outcomes are fair, transparent, and supportive of long-term consumer interests across all regions of New Zealand.

Yours faithfully

Lisa Leyland
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