

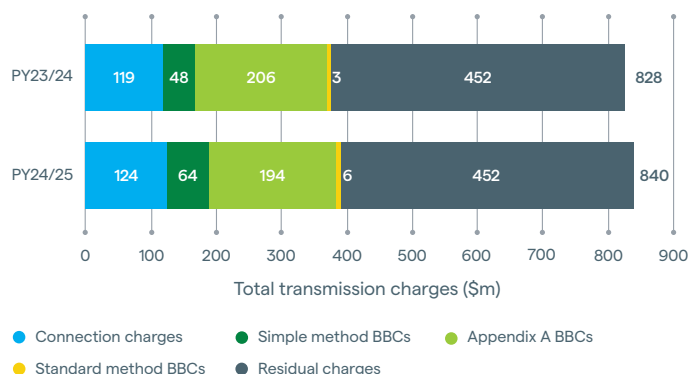
Transmission charges

The Electricity Authority's transmission pricing methodology (TPM) specifies how Transpower must set transmission charges to recover the annual cost of running the national grid. The amount of revenue Transpower recovers under the TPM is set by the Commerce Commission.

Transpower charges its directly connected transmission customers (generators, distributors and large consumers who directly connect to the grid). The graph to the right shows the different components that make up transmission charges for the pricing year beginning April 2024 (PY2024/25) in comparison to the current pricing year (PY2023/24).

For information about the TPM and the different components that make up transmission charges, see our [guide to the TPM](#).

The key changes between PY2024/25 in comparison to the current year (PY2023/24) are:



Total revenue has increased by \$12.1M (1.46%)

The Commerce Commission set our revenue for PY2024/25 at \$840.2M.

Connection revenue has increased by \$4.6M (3.9%) due to growth in the value of connection assets.

Connection charges recover the capital costs and applicable operating costs associated with connection assets from the customer(s) connected to them.

Benefit-based charges (BBCs) revenue has increased \$6.8M (2.6%)

BBCs recover the capital costs and applicable operating costs associated with all new and some historic interconnection investments (benefit-based investments (BBIs)) from the expected beneficiaries of those investments.

- Five BBC adjustment events occurred during the financial year ending June 2023 (FY23) and resulted in scaling of other customers' allocations to ensure Transpower does not over-recover BBC revenue:
 - Kawerau Geothermal's separation from Norske Skog: a pre-commencement BBC adjustment event.
 - Northpower at Bream Bay, CINZ Oil Refinery conversion: a BBC embedded large plant de-rating event.
 - Norske Skog's disconnection at Kawerau: a customer exit event.
 - Oji Fibre's connection at Kawerau: a new customer event.
 - Contact Energy's and WEL networks' Te Rapa co-generation closure at Te Kowhai: an embedded large plant disconnection event.
- BBC revenue for standard method BBIs has increased by \$3.3m (102%) due to the commissioning of additional Clutha Upper Waitaki Lines Project (CUWLP) assets (\$1.8M – from \$3.2M in PY2023/24 to \$5M in PY2024/25), and the commissioning of second and third high-value, standard method BBIs: the Hamilton substation (HAM) STATCOM (\$1M) and the Pole 2 refurbishment (\$390K) investments.
- BBC revenue for simple method BBIs has increased by \$15.5M (32%) due to the costs of all post-2019 interconnection investments being recovered as BBCs, which now includes new assets accounted in the latest financial year.
- BBC revenue for Appendix A BBIs has decreased by \$12M (-6%) due to ongoing depreciation of these historic, pre-2019 interconnection investments – most notably the historic HVDC investments.

Residual charges have increased by \$0.7M (0.2%)

- Residual charges apply to each customer's gross load, whether it is supplied from the grid or from embedded generation, and regardless of season or its time-of-use. The revenue recovered through residual charges will decrease over time, as the revenue recovered through BBCs increases.

- Two residual charge adjustment events occurred during FY23:
 - Northpower at Bream Bay, CINZ Oil Refinery conversion: a residual charge pre-start (of the current TPM) reduction event.
 - Norske Skog's disconnection at Kawerau.
- Residual charges are relatively flat between PY2023/24 and PY2024/25 due to the combined effect of the increase in total revenue, changes to connection and BBC revenue (standard method, simple method and Appendix A), and adjustment events.

Increase to the transitional cap

- The proportionate change in CPI used to calculate the price cap for PY2023/24 was 6.8% and 14.4% for PY2024/25, which increases the price cap threshold and reduces the discount for customers. Consequently, charges for customers who benefitted from the cap in PY2023/24 have generally increased in PY2024/25. Two customers receive Transitional Cap reductions totaling \$0.55M for PY2024/25 (four customers received transitional price cap reductions for PY2023/24, totaling \$2.57M).

How have these changes impacted our customers?

Load customers (distributors and direct connect load customers)

- Load customers charges have generally increased between PY2023/24 and PY2024/25 due primarily to the exit of Norske Skog and reduction to Northpower's residual charges in PY2023/24 (a one-off, "pre-start" adjustment event).
- Load customers in the North Island have also generally received higher standard method BBCs due to the commissioning of two new standard method BBIs of which they are beneficiaries (HAM STATCOM and HVDC Pole 2 refurbishment), and an increase in simple method BBCs because of an increase in the covered costs in the North Island (NI) simple method investment regions.

Generators

- Generator charges are more sensitive to changes in BBCs (because residual charges are payable on load only, including any generator offtake). Charges for simple method BBIs have increased due to the addition of interconnection assets commissioned during FY23.
- Charges for generators in the South Island are affected by the increase in commissioned assets (and therefore increased covered cost) in CUWLP (the first high-value, standard method BBI), and the commissioning of the HVDC Pole 2 refurbishment BBI.
- Generators in the North Island generally received higher simple method BBI allocations this year (relatively), particularly in the LNI_HV and UNI_HV investment regions where the charges increased by \$6.4m or 47% due to FY23 commissioning in those regions.