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Electricity Authority

Wellington

By email: distribution.pricing@ea.govt.nz

Network pricing for Distributed Generation

Transpower welcomes the opportunity to provide feedback on the Authority's consultation, "R*eforming network pricing for distributed generation*" published 2 April. This submission is made in Transpower's roles as the Grid Owner administering the Transmission Pricing Methodology (TPM) and as the System Operator. We cover points in relation to TPM charges for distributed generation and provide a system operations perspective given anticipated increases in generation connecting to distribution networks. We have not responded to the specific questions set out in the consultation document but rather raise broader considerations relevant to the Authority's review.

We encourage the Authority to avoid decisions that may rely on thresholds and detailed design features of the TPM, as these are being reviewed by Transpower under the TPM Operational Review(below)and could impact our ability to reduce complexity, volatility, and uncertainty in transmission pricing.

Administering the TPM: Transpower's operational review [1]

The TPM determines how Transpower recovers the costs of running the national electricity grid from our transmission customers. Transpower is undertaking an operational review of the Transmission Pricing Methodology (TPM). The operational review aims to improve the operation of the TPM, addressing potential issues identified by stakeholders and Transpower since its implementation.

The TPM currently has a threshold value of 10MW above which newly connecting distributed generation results in benefit-based charges being levied on the Distributor.[2] The review is considering whether the existing 10MW threshold for (indirectly) charging distributed generation transmission charges remains appropriate. For example, the TPM guidelines sets

[1] TPM Operational Review 2026 Workstream 1 - Consultation Document.pdf

[2] Distributed generation of any size that was operational before the new TPM came into effect from April 2023, does not face transmission charges

"large generation" as plant that could viably connect directly to the grid[3], and Transpower's connection queue shows that plant smaller than 25MW is unlikely to connect to the grid.[4]

Thresholds for technical obligations and transmission charges

The Authority's decision to require Asset Owner Performance Obligations (AOPOs) for common quality to apply to distributed generation assets above 10MW[5] should not influence the threshold for imposing transmission charges. This distinction exists because technical obligations and cost allocation each serve a separate purpose. When considering system operations, the asset itself is central to maintaining power system common quality, justifying the regulatory threshold. For instance, a 10MW generation asset may impact local voltage and therefore necessitates ride-through or response obligations.

By contrast, capacity-based thresholds - such as the 10MW level - may not reliably indicate transmission grid usage or transmission-related benefits. Consequently, such thresholds may not provide an efficient basis for allocating transmission costs. For example, distributed generation that solely supplies load behind a grid exit point will reduce the load at the grid exit point and might not be considered as "using" the transmission grid. Conversely, distributed generation that exports electricity to the grid does utilise the transmission system.

Interplay between generator network pricing and their performance obligations

The Authority should, to the extent possible, ensure that the interplay between distributed generation pricing, grid-connected generation pricing, and the costs associated with meeting AOPOs is managed in a way that minimises incentives for generation developers to configure or locate their assets inefficiently, to avoid costs.

Power system operation (transmission and distribution)

As noted in prior submissions (*Future Systems Operation*[6] and *The future is Digital*[7]) as distributed generation proliferates, having sufficient visibility of unoffered distributed generation will become increasingly important for the safe and secure operation of the power system. Improved information sharing among the operational actors within the power system is necessary to enhance visibility of distributed generation operations, which is crucial for tasks such as outage planning, load forecasting, and system restoration across both distribution and transmission levels.

Longer-term operational activities undertaken by the System Operator—such as the System Security Forecast and Security of Supply assessments—will be impacted by increased distributed generation. Access to high-quality information (for example, accurate data on distributed generation capacities, operations, and locations) will improve these assessments, thereby increasing their value to the wider industry and other interested parties.

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[3] 26850TPM-2020-guidelines-10-June-2020.pdf

[4] TPM Operational Review 2026 Workstream 1 - Consultation Document.pdf page 19 "only two of the 125 projects in Transpower's generation queue are < 25MW"

[5] Authority Decision paper Promoting reliable electricity supply – a voltage-related Code amendment 10 March 2026

[6] Transpower submission FSO_models_20 August 2025

[7] Transpower submission The Future is Digital 10 July 2025

Additionally, longer term system operation will also be impacted by potential policies contemplated in the DGPP consultation paper for capacity pricing[8] and price-driven secure distribution dispatch (a concept which the Authority has agreed in principle to scope and assess, per MDAG recommendation 5).[9] For instance, distributed generation capacity pricing could have operational impacts when distribution and transmission network congestion are not aligned. Operational actors will need to understand the implications of more dynamic DGPP settings so they can properly consider these impacts in their own operational activities.

Activities such as assessing price-driven secure distribution dispatch overlap with the Authority's Future System Operations workstream, which has considered distribution system operator (DSO) models for New Zealand. We encourage the Authority to coordinate these workstreams in an integrated manner to ensure a cohesive approach to system operation and planning.

Yours sincerely

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[8] Refer section 5.2

[9] MDAG quarterly update, Oct - Dec 2025