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24 July 2026

Electricity Authority
Wellington

By email: networkpricing@ea.govt.nz

Transmission Pricing Methodology (TPM) Amendments: Six Proposals

Transpower welcomes the opportunity to respond to the Authority's consultation on six proposals to amend the Transmission Pricing Methodology (TPM), published 29 June 2026.

Four of these six proposals originated from Transpower through our current Operational Review of the TPM. The purpose of the Operational Review is to identify targeted operational improvements to the TPM to support stable, efficient pricing and long-term consumer benefit, within existing policy intent. We appreciate the Authority's consideration of the four Code Amendment Requests (CARs) arising from the first workstream under this review, and its prioritisation of this work so changes can be implemented as soon as possible to provide some relief to transmission customers.

In our role as administrator of the TPM, Transpower's focus is on supporting efficient operation of the electricity industry for the long-term benefit of consumers. The CARs arising from the Operational Review are intended to reduce cost and complexity in price-setting processes, and to support more stable and predictable price changes for customers.

This submission comments in more detail on two of the proposals that in our view may increase administrative and compliance costs and may not achieve the intended reduction in volatility and uncertainty for customers.

We answer the questions asked for all six proposals in Appendix A.

The alternative "batching" option removes key benefits

We appreciate the acknowledgement that "*adjustment events for BBC charges has created greater than expected administrative cost for Transpower and cost and uncertainty for customers due to sequential processing and implementation, uncertain timing and wash-ups*".[1]

The Authority describes that the alternative proposal "*builds on Transpower's proposal to batch adjustments but requires the causing customers to be charged from the batching date (1 July*)."[2]

[1] Transmission pricing methodology amendments 2026 para. 7.13
[2] Transmission pricing methodology amendments 2026 para 7.19

We support the Authority's view that alternative options should be tested through the consultation process, and we have investigated whether the alternative option can be implemented without creating additional complexity and volatility. Unfortunately, the alternative option re-introduces, and amplifies, the administrative effort needed to amend BBCs for adjustment events and is likely to exacerbate the issue of complexity and volatility in the annual charge setting process that we are seeking to resolve.

The Authority's comments on our drafting contemplate that, if Transpower charges causing customers from 1 July, we may defer the corresponding adjustments for other customers until April, presumably to reduce volatility in price changes before that date:

> *Transpower may delay applying adjusted charges, for customers other than the customer whose actions triggered the benefit-based charge adjustment event, until the start of the first pricing year after the benefit-based charge adjustment event is deemed to have occurred. Where Transpower delays applying adjusted charges, it must carry out a wash-up so that no customer is under- or over-charged benefit-based charges as a result of the delay in applying adjusted charges. The wash-up must include time value of money adjustments using Transpower's ID WACC (pre-tax).*[3]

We consider this approach would be difficult to reconcile with our regulated price path, including consistency with Part 4. We would need more information from the Authority on how it contemplates this option working with the price-path and how funding (and its recovery) would work for the compensate to customers for the time value of money.[4]

We prefer the initial batching proposal to the alternative option. Implementing the alternative option would be less workable than the status quo, because it would add significant administrative and price communication requirements within an already compressed pricing timeframe. It would also require Transpower to explain to customers why price changes are being made outside the usual April pricing round.

The initial batching proposal[5] is competitively neutral between existing and new customers

The Authority writes

> *we are concerned that under Transpower's proposal, a customer that 'causes' the adjustment event may not need to pay any BBCs for a minimum of 9 months and up to 21 months, depending on the timing of the adjustment event. Assuming adjustment events are distributed evenly over time, the average period may be 15 months….the amounts a single 'causing customer' may avoid can be material.*[6]

We agree the initial proposal means that an adjustment event results in a temporary deferral of Benefit Based Charges until they can be charged from the annual, April pricing date.

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[3] Appendix D - Proposed drafting changes - Adjustment Events, Batching, comment A13

[4] Transpower is unable to price above the smoothed maximum allowable revenue. If Transpower unintentionally over-recovers against its smoothed maximum allowable revenue path in a year, then this is added to its EV account and returned to customers in the next price control period. This over recovery could be offset in future years.

[5] Appendix D – Code amendment request (CAR) - Adjustment Events, Batching

[6] Transmission pricing methodology amendments 2026 paras 7.14 and 7.15

Deferral is the same for both newly connecting customers and existing. We considered this consequence in our CAR, supported by consideration from the Industry Working Group (IWG):

> *Batching leads to a slight delay to commencement of charges for affected customers, a time delay that is very small relative to multi-decade plant typical lifetimes. We think this temporary cost advantage is not material and may have beneficial effects. A potential beneficial effect observed by the IWG is that the delay applying BBCs would coincide with the period where the new plant is financially exposed - having incurred capital and commissioning costs but yet to realise full revenue or productivity benefits enabled by the plant. For example, a generator may be staging commissioning and is unlikely to have hedged its production.*
>
> *Batching is competitively neutral (applies equivalently between all parties triggering an adjustment event whether a generator, or offtake and grid connected or embedded). There is a slight cost advantage relative to existing plant, but this is temporary and small in the scheme of both the affected party's own investment cost and the costs being recovered by Transpower.*

The Authority has accepted our analysis in the CAR that *any incentive for a causing customer to game the timing of adjustment events is likely to be small relative to the costs to them of doing so. The near-term efficiency costs are therefore likely small also*.[7] Therefore, it is difficult to see what the benefits are of re-introducing the administrative complexities that our CAR sought to reduce.

We consider the delay in levying charges is not “long” compared with cost recovery over several decades. Allowing this modest deferral enhances TPM durability, because the pricing process is administratively workable, easier to explain to customers and resulting prices more understandable.

The initial batching proposal promotes efficient operation and competition

The statutory test for the proposal is the extent to which a proposal promotes competition in, reliable supply by, and efficient operation of, the electricity industry for the long-term benefit of consumers. We consider the initial proposal:

- **promotes efficient operation** though (i) increased productive efficiency for Transpower and its customers through once-a-year adjustment to charges (ii) increased dynamic efficiency through the effect that improved charge certainty (or reduced uncertainty) leads to certainty in decision making;
- **promotes competition** through (i) enabling Transpower to better explain charges for a new customer thereby supporting new customers to enter the market (ii) reducing a key source of uncertainty for the customer enabling more efficient operational and investment decisions (although we note these competition effects are at the margin).

Further, the initial proposal strikes a better balance between precision and practicality by reducing complexity and cost for Transpower and customers and promoting relatively

[7] Transmission pricing methodology amendments 2026 para. 7.17

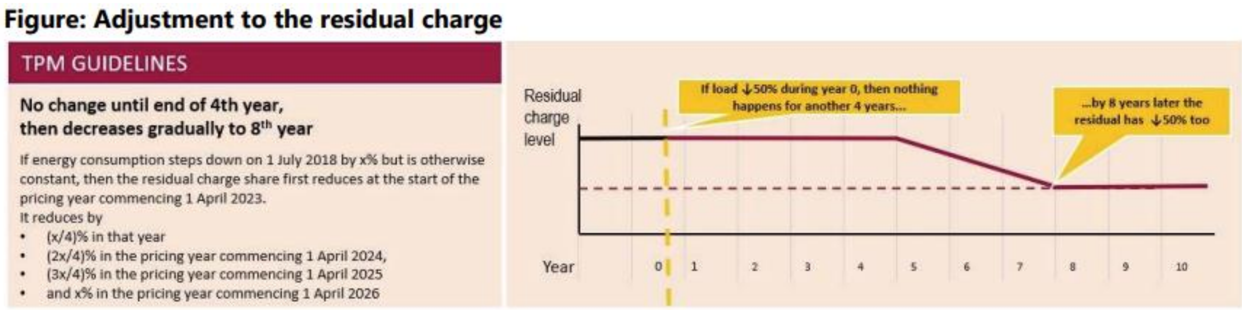
predictable and stable charges; stakeholder impacts that the Authority has specifically considered.[8]

To be clear, batching adjustment events and deferring BBC charges would not remove the information about the associated price impacts of those events when (as currently) they are processed as they occur. EDBs would still be able to identify the incremental costs of adjustment events on their distribution networks where that information is needed for their own pricing communications.

Precedent with residual charges that have a longer deferral period

The initial proposal echoes the approach taken by the Authority in its decision for changes to the residual charge due to an adjustment event. The Authority was clear that the residual charge should not immediately change when a large plant is connected to or disconnected from the grid by an existing customer or when there is a large upgrade or derating of existing grid-connected consumer plant. The Guidelines allow a four-year lag from changes to charges from when the adjustment event occurred.[9]

Figure 1 Authority explanation of changes to the residual charge for an adjustment event



While the policy basis for each charge type is different, the Guidelines provide precedent for allowing a time lag (deferral) for TPM charges being levied. The benefits of doing so for adjustment events are reduced administrative complexity, improved communication, clearer billing, and increased price path certainty for new and existing customers.

We consider the conclusion that "*administrative benefits would still be positive under the (Authority's) proposal and are supplemented by the benefit of striking a more reasonable balance between precision of charges and practical considerations*"[10] is potentially flawed. The Authority's analysis does not fully reflect the level of administration its proposal would re-introduce, and we believe it places insufficient weight on the benefits of practicality and simplicity.

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[8] The Authority states "*We have specifically considered the impact on stakeholders of the proposals, including in respect of the following: (a) promoting stakeholder engagement in transmission investment decisions (b) reducing unintended and disproportionate consequences, both within the TPM and for efficient system-wide investment (c) reducing complexity and cost (d) promoting relatively predictable and stable charges* [Ibid, para. 3.23]

[9] Refer TPM Development Checkpoint 2 re-submission to the Electricity Authority (Residual Charge and Transitional Cap) 22 Jan 2021

[10] Transmission pricing methodology amendments 2026 para. 7.34

As recognised in the consultation paper, the initial proposal has widespread support from the Industry Working Group and stakeholders who submitted through Transpower's consultation.

Implementation of batching

The Authority indicates that it expects to make a decision in November 2026, for Transpower to apply to pricing year 2027/28 prices. However, we need to apply the existing TPM until we know what the new rules (if any) for batching adjustment events will be.

To ensure an efficient transition, we suggest further drafting for the situation where an adjustment event occurs during this period. We propose making subclause 75(1A) "subject to subclause (1B)," and adding a subclause 75(1B) as follows:

(1B) **Transpower** may apply this **transmission pricing methodology** as it was before its amendment by the [*name of amending instrument*] to any **benefit-based adjustment event** that occurred or occurs on or after 1 July 2026 and before [*date of decision*].

Battery treatment under the simple method should be considered through the BBC workstream rather than changed now

We agree that the TPM needs to keep pace with new technology, including battery storage. However, exempting battery storage offtake from the offtake demand factor under the simple method would create implementation issues and additional administrative cost, particularly where batteries are embedded or co-located as battery offtake will be combined with underlying load and is unlikely to be readily observable or separable for TPM purposes. We would need to make system changes and would require EDBs and any direct connects with batteries to provide us with separate meter data for the embedded batteries.

We have not seen evidence that the existing approach is detrimental to efficient operation (for the battery owner) or competition. As the Authority's analysis shows,[11] the proposal creates wealth transfers from consumers and other generation in a simple method region, to the battery owner.

We consider a more efficient and durable approach would be to consider options to address the Authority's policy guidance on the treatment of batteries through the BBC workstream of Operational Review. We consider this process provides an appropriate forum to consider the treatment of batteries holistically, alongside any broader potential need to re-design the simple method. Addressing battery treatment "ad hoc" risks imposing duplicative change costs, creates transitional issues, and may require further amendments under the simple method once the operational review is complete.

Implementation

The proposed approach would apply to new connecting batteries immediately. Existing batteries would continue to be charged under the current simple method allocations, including the 1.67 demand factor for offtake, until the second simple method period begins. This would create different treatment for existing and new batteries for several years.

[11] Transmission pricing methodology amendments 2026 page 21

An alternative approach which avoids inconsistent treatment would be to ensure the new rule does not apply until the second simple method period starts.

Yours sincerely

[redacted]

David Knight
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Appendix A: Transpower response to questions

Transmission Pricing Methodology amendments 2026

Please email your submission to networkpricing@ea.govt.nz by 5pm, 24 July 2026.

#	Question	Response
Chapter 3: Context and approach		
1	Do you agree with the assessment approach and criteria set out in this chapter? Please explain your reasons.	The Authority states that its assessment criteria are consistent with the criteria applied by Transpower for our (four) proposals under the operational review. We consider this is the correct assessment basis. Our options assessments[12] were against the Electricity Industry Act statutory objective (s.15) and part 1 of the TPM guidelines[13] (policy intent).
2	Do you consider an alternative approach or assessment criteria should be used? If so, please describe these and explain why these would be better.	We consider no alternative approach should be used.
Chapter 4: BBC simple method treatment of battery storage		
3	Do you agree that offtake by battery storage should be exempt from the Demand Factor? Please explain your reasons.	No comment.
4	Do you prefer any of the alternative options discussed for the treatment of battery storage under the simple method? Please explain your reasons.	No comment.
5	Do you agree that the proposed amendment for battery storage offtake should be made ahead of Transpower's next phase of its operational review, when it will review the simple method? Please explain your reasons.	We consider it more efficient and durable to consider options to address the Authority's policy guidance on the treatment of batteries through the BBC workstream of Operational Review. We consider this process provides an appropriate forum to consider the treatment of batteries holistically, alongside any broader potential need to re-design the simple method. Addressing battery treatment "ad hoc" risks imposing duplicative change costs, creates transitional issues, and may require further amendments under

[12] TPM Operational Review - Proposal Workstream 1.pdf Chapter 10 Assessment of options against assessment criteria

[13] TPM guidelines General matters, clause 1(b)

		the simple method once the operational review is complete.
6	Do you have any comment on the drafting of the amendment to the treatment of battery storage in Appendix C?	The proposed change works in principle, as it reverses the regional net private benefit (NPB) uplift under clause 64(2) for batteries in regional demand groups. We suggest this change to the proposed wording to correct a typo: the demand factor, where ~~that a~~ the customer is…
Chapter 6: Applying updated WACC without a lag		
13	Do you agree with the Authority's assessment of the consequences of the WACC lag? Please provide your reasons.	Aligning the WACC for revenue and BBCs improves Transpower administration of its pricing model. We note the delay in attending to the issue means the two-year over-recovery of revenue via the residual charge will be permanent.
14	Do you agree that, because the efficiency impacts will likely grow over time, the Authority should address this WACC lag issue now? Please explain your reasons.	We do not believe that the efficiency impacts will grow over time. In our view, correcting the WACC lag at this point is primarily a wealth transfer issue, rather than an efficiency issue.
15	Do you have any comment on the drafting of the amendment to address the WACC lag in Appendix C?	Clause 39 is changing on 1 April 2027 to incorporate revaluation of Transpower's RAB under the IMs (clause 9(2) of EIPC amendment) These changes are not shown in Appendix C. We consider the Authority will need to amend an amendment that is yet to come into the Code. The WACC won't change during a pricing year, so the proposed language "*at the start of the pricing year*" could be replaced with just "*for the pricing year*". This would match the wording for variable r in clause 26(7) and various other clauses relating to connection charges. An editing issue; there is a double comma in proposed clause 39(2)(b).
Chapter 7: Batching BBC adjustment events		
16	Do you agree with the proposal to allow Transpower to batch and process BBC adjustment events at a single annual date? Please provide your reasons.	We support batching and processing BBC adjustment events at a single annual date. However, we consider the benefits of batching would be materially reduced if causing customers were charged from 1 July while corresponding adjustments for other customers were deferred until the following pricing year. Applying adjusted charges for all affected customers from the following pricing year would better support

		administrative efficiency, customer understanding and price stability. It would also align price changes with the April pricing round, reducing the need to explain interim price changes outside the usual cycle.
17	Do you agree that the causing customer should be charged from the batching date, with any adjustments for other customers to be applied in the subsequent pricing year? Please state your reasons.	We do not support charging the causing customer from the batching date while deferring adjustments for other customers. We consider this approach would be difficult to reconcile with our regulated price path, including consistency with Part 4. Further information would be needed on how the option is intended to work within the price-path, and how funding and recovery of any time value of money adjustments would operate. Transpower is unable to price above its smoothed maximum allowable revenue. If Transpower unintentionally over-recovers against that path in a year, the over-recovery is added to its EV account and returned to customers in the next price control period. This creates practical issues for implementing and recovering wash-up amounts within the pricing framework.
18	Do you consider it more efficient if, instead of the proposal mentioned in Q17, adjusted charges for both the causing customers and other customers should apply from the following pricing year? Please provide your reasons.	Yes, we consider it would be more efficient for adjusted charge for both causing and other affected customers to apply from the following pricing year. This approach would preserve the main benefits of batching by aligning adjustments with the annual pricing cycle, reducing administrative complexity, supporting clearer customer communications and promoting relatively predictable and stable charges.
19	Do you have any comment on the drafting of the amendment to enable batching of BBC adjustment events in Appendix D?	The Authority indicates that it expects to make a decision in November 2026, for Transpower to apply to pricing year 2027/28 prices. However, we need to apply the existing TPM until we know what the new rules (if any) for batching adjustment events will be. To ensure an efficient transition, we suggest further drafting for the situation where an adjustment event occurs during this period. We propose making subclause 75(1A) "subject to subclause (1B)," and adding a subclause 75(1B) as follows: (1B) **Transpower** may apply this **transmission pricing methodology** as it was before its amendment by the [*name of amending instrument*] to any **benefit-based adjustment event** that occurred or occurs on or after 1 July 2026 and before [*date of decision*].

Chapter 8: Removing SSI adjustment event		
20	Do you agree with the proposal to remove the SSI adjustment event? Please provide your reasons.	Yes. The proposal will reduce complexity under the TPM by its removal. The current clause is unworkable, and its removal will improve efficiency for Transpower and customers, as detailed in our Code Amendment Request.[14] CAR Removal-SSI adjustment event April2026
21	Do you have any comments on the drafting of the amendment to remove the SSI adjustment event in Appendix D?	No further comment.
Chapter 9: Simple method period 1 extension		
22	Do you agree with the proposal to extend the first simple method for up to two years (to end 31 March 2029 or 31 March 2030 if needed), so that Transpower can complete its operational review of its methods for benefit-based charging in a more timely manner? Please provide your reasons.	Yes. Transpower's Operational Review[15] would be concurrent with the time period for analysis for deriving regions and benefits for the second Simple Method Period following the current period (the first Simple Method period). The deferral means any substantive changes arising from the operational review can feed into the next available update and remove risk of potentially changing allocations twice in a relatively short period, assuming grid flows are generally enduring. Our Code Amendment Request has more detail about our approach to assessing "enduring grid flows."[16] CAR Simple Method Period ExtensionApr2026
23	Has the Authority correctly identified the risk that a delay may involve efficiency costs as historical allocators risk being less than a reasonable proxy for net private benefits? Please provide your reasons.	We consider there are negligible efficiency costs. We consider the risk to benefits assessments now being misaligned with cost allocations is minor and unlikely to create inefficient operation or investment decisions in the deferral period.
24	Do you agree that, if Transpower cannot convince the Authority that the review can be completed within a timeframe that would allow simple method allocators to be updated for the 2030/31 pricing year at the latest, then	We consider the answer to this question also depends on the Authority's own processes and capacity to consider any Code Amendment Requests that may arise from Transpower's operational review. In our view, it would be helpful for industry to have confidence that any resulting CARs can be considered in a timely and effective way.

[14] CAR Removal-SSI adjustment event April2026
[15] TPM Operational Review - Workstream 1 | Transpower
[16] CAR Simple Method Period ExtensionApr2026

	Transpower should first update the simple method allocators as currently required? Please provide your reasons.	Decisions about how best to respond to any delays in the review process could be better made when understanding the future context for the decision.
25	Do you have any comments on the drafting of the amendment to extend the first simple method period in Appendix D?	We support the drafting.
Chapter 10: Drafting refinements		
26	The Authority is not consulting on technical and non-controversial drafting tidy-ups of the TPM, however, do you have any feedback on any potential re-drafting errors or additional suggestions?	We have identified an additional "technical and non-controversial" tidy up to clause 77, included as Appendix B. The rationale for this proposed change is that clause 77 as drafted only applies the adjustment to the connection location where the customer connects and not to other connection locations where the new customer's offtake or injection affects allocations. The result is an over-recovery of connection charges over the rest of the pricing year, unless Transpower does a wash-up later or processes a separate voluntary under-recovery adjustment. Under the current clause, the wash-up is limited to the other customers at that connection location, rather than extending to other customers at other connection locations where allocations were affected.
Chapter 11: Fixing shared connection asset allocators		
27	Has the Authority correctly identified a potential issue with the current approach to determining customers' shares of cost at shared connection assets?	We consider stakeholders are best placed to comment on this issue.
28	Do you agree with the Authority's assessment that, while the immediate benefit of the proposal is likely marginal, it is nonetheless useful to address this issue to remove volatility in shares (and thus charges) and to protect against issues becoming bigger in future?	We consider stakeholders are best placed to comment on this issue.
29	Do you have any initial feedback on the Authority's current thinking to inform a possible amendment to the TPM (to be	We consider the current approach in place for many years is well understood by Customers. In our view,

	developed and consulted on in future) to: A: Fix cost shares at shared connection assets at those that applied in the 2026 pricing year? B: Fix the shares for a new customer at a shared connection asset based on Transpower's estimate given the capacity and type of the customer's plant, or some other approach? C: Not make any provision for those fixed shares to adjust even when there is a material and enduring change in the AMDIC of one of the customers sharing the connection asset? D: Add a clause to clarify that shares will be recalculated when a change in AMDIC by one or more customers at the shared connection asset necessitates an upgrade?	investment in shared connection assets is driven by peak use of the connecting customers.
Chapter 12: Emerging connection charge and FMD issues		
30	The Authority is not consulting on proposals to address these emerging issues, but do you have any feedback or further information on these emerging issues and how these are being progressed?	No comment.

Appendix B: Additional “technical and non-controversial” tidy up to clause 77

77 This clause 77 applies in the case of the **connection charge adjustment event** in paragraph 76(1)(a).

(2) In this clause 77, a relevant **pricing year** is the **event pricing year** and the **pricing year** after the **event pricing year**.

(3) **Transpower** must, for each relevant **pricing year**—

(a) determine whether the connecting **customer** will be treated as an **offtake customer** or **injection customer** at the connecting **customer's** new **connection location** (the new **connection location**); and

(b) estimate the connecting **customer's AMDC** or **AMIC** for the new **connection location** (as applicable depending on **Transpower's** determination under paragraph (a) for the new **connection location**) taking into account—

(i) the type and **capacity** of the connecting **customer's assets**; and

(ii) **AMDC** or **AMIC** (as the case may be) for any other **customers** with **assets** of the same or a similar type as the new **customer's assets** connected at the new **connection location** or any other **connection location**; and

(c) calculate or re-calculate (as the case may be) all **customers' connection customer allocations** for—

(i) the new **connection location**; and

(ii) each other **connection location** where the connecting **customer's AMDC** or **AMIC** affects **connection customer allocations**,

(the relevant **connection locations**) to account for the connecting **customer's AMDC** or **AMIC** estimated under paragraph (b); and

(d) calculate or re-calculate (as the case may be) all **customers' connection charges** for the relevant **connection locations** based on the **customers' connection customer allocations** calculated under paragraph (c); and

(e) calculate or re-calculate (as the case may be) all **customers' connection charges** for any relevant **connection transmission alternative**—

(i) to account for the **customers' annual connection charge** for the relevant **connection locations** calculated or re-calculated under paragraph (d); and

(ii) assuming those **annual connection charges** applied for the previous **pricing year**.

(4) **Transpower** must start the connecting **customer's monthly connection charges** calculated under paragraph (3)(d) or (3)(e) as soon as reasonably practicable. The connecting **customer's monthly connection charges** may include an adjustment as necessary to ensure the connecting **customer** pays its full **connection charges** for the relevant **connection locations** or **connection transmission alternatives** from the date the connecting **customer** connected at the new **connection location**.

(5) **Transpower** is not required to (but may) start any other **customer's monthly connection charges** re-calculated under paragraph (3)(d) or (3)(e) during, or from the start of, an **exempt pricing year** for the **customer**. However, any over-recovery of **annual connection charges** for the relevant **connection locations** or **connection transmission alternatives** and **exempt pricing year** resulting from the start of the connecting **customer's monthly connection charges** for the relevant **connection locations** or **connection transmission alternatives** must be rebated, as appropriate, to the other **customers** by way of an adjustment to their **transmission charges**—

(a) if reasonably practicable, at the end of the **exempt pricing year**; or

(b) otherwise, as soon as reasonably practicable during the next **pricing year**.