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Electricity Authority
Wellington 6011
By email: network.pricing@ea.govt.nz

TPM amendments 2026

1. This is Vector's submission on the Electricity Authority's *Transmission pricing methodology amendments 2026 - Consultation paper.*

2. No part of this submission is confidential, and we are happy for it to be published on the Authority's website.

3. We note the Authority is consulting on changes to anticipatory capacity for connection assets that are potentially more substantive policy changes. We appreciate the longer time frame for consultation on this topic and will provide our submission in line with the 7th August deadline.

4. As highlighted by the ENA's submission, the treatment of battery storage is another topic that veers more towards a policy change and could potentially have benefited from a longer period of consultation.

BBC simple method treatment of battery storage

5. The Authority proposes to treat batteries more like generation for the purpose of the BBC simple method by exempting batteries from the demand factor applied to the offtake charge.

6. We agree with the policy intent behind the proposed change to ensure efficient investment in grid scale batteries is not delayed or discouraged by disproportionately high BBC charges. Batteries should be treated on a level playing field with other technologies and users of the transmission system.

7. We also agree the logic behind scaling up offtake charges (the TPM decision that the value of electricity is greater for end users than generators) does not easily apply to batteries.

Batteries may be more analogous to generation than end-users in terms of the impact of an outage since batteries store energy to inject later.

8. The proposed technical amendment to exempt batteries from the demand factor in the offtake charge appears an appropriate solution. However, we note Transpower's view that implementation could involve some complexity.

9. The Authority considers "*these implementation questions are unlikely to impact the core rationale for this proposal. We note there are different ways to address this point, and Transpower can consider the treatment of embedded battery storage in future simple method periods during its Workstream 2 of its operational review that will address the simple method.*"

10. In our view, the Authority should place higher emphasis on reducing complexity of implementation and how this can be addressed as part of this review. This is likely to lead to more durable Code amendments compared to assuming implementation detail can easily be worked out later.

Applying the WACC update without a lag

11. We recognise the benefits outlined by the Authority in amending the TPM to remove the two-year lag in the application of the WACC.

12. There has been material volatility in the WACC in the last few regulatory periods so there is potential for the regulatory WACC and BBC WACC to be significantly different. We also agree this adds complexity and lessens predictability in transmission charges.

13. However, we do have concerns about the distributional impact of changing approach as raised by Transpower. The Authority summarises this concern as:

14. "Specifically:
(a) when the WACC increased in 2025, the adjustment lag resulted in BBCs being lower for 2 years than would have been the case if the TPM had required that the WACC adjusted immediately. The residual charge was correspondingly higher for those two years.
(b) in practice this temporarily kept charges for BBC-paying load (mostly) and generators lower, while load in general temporarily had higher residual charges (compared to the hypothetical situation of no lag).

(c) the distributional 'consequence' of removing the WACC lag now is that there would be no opportunity for offsetting redistributions should the WACC reduce at the next or any future RCP."

15. However, the Authority concludes that, "*past efficiency and distributional effects are 'sunk', and in the past. We have instead evaluated whether the proposal would improve the efficiency of the electricity industry going forward, and consider the proposal would do so.*"

16. We recognise the Authority is guided by its statutory objective and the distributional impact is not a primary concern. However, we consider the Authority should allow a one off adjustment to charges to alleviate this distributional impact.

17. Following the 2025 WACC increase, our understanding is load faced disproportionately high residual charges while generators (and BBC-paying load) benefitted. We consider implementing a one-off adjustment to TPM charges to offset this would better support the durability of the TPM.

Batching BBC events

18. We support annual batching of BBC events in line with Transpower's original proposal. This will reduce volatility and administrative burden for both Transpower and transmission customers.

19. We don't support the Authority's proposed alternative option where the 'causing' customer is liable to pay BBCs from 1 July and other customers from the next pricing year.

20. As set out in the ENA's submission, this would retain some of the administrative complexity that Transpower's proposal was, in part, aiming to solve.

Removing SSI events

21. We support the proposal to remove SSI adjustment events in line with Transpower's operational review and agree with the reasoning set out in the consultation paper.

Simple method period extension

22. We support the proposal to extend the simple method period to end in May 2029 (or 2030 if needed) rather than May 2028 to alleviate Transpower resource constraints.

23. We agree workstream 2 of the operational review is complex and Transpower should prioritise resources to where it can make the most meaningful improvements to the TPM.

Shared connection asset allocators

24. We haven't experienced volatility in transmission charges driven by shared connection asset allocators. However, we have sympathy for smaller customers who may experience volatility where a larger customer makes even a small change in demand.

25. A midway point between allocating fixed cost shares and recalculating shares annually could be to implement a rolling average of e.g. 4-years to smooth out volatility.

Yours sincerely

[redacted]

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