

Appendix B: Submission form for anticipatory capacity

Transmission Pricing Methodology amendments 2026

Chapter 5: Anticipatory capacity		
#	Question	Response
7	Has the Authority correctly described the nature and root cause of the cost-allocation issues for anticipatory connection assets? Please provide your reasons.	The IEGA agrees that it can be more efficient to build anticipatory transmission investments, in this case in connection capacity, ahead of time to facilitate anticipated, but uncertain, growth in load or generation. But, as the Authority states, the timing of the need for this anticipatory capacity is uncertain and it is unknown if a load or generation customer, and which specific customer, will be connecting. Using any 'beneficiary pays' allocation (simple or standard) is speculative about who will ultimately benefit.
8	Do you agree with the proposal to require the use of the standard method to allocate the 50% share of capital cost of anticipatory connection assets that is to be recovered through benefit-based charges? Please give your reasons.	No, the IEGA does not agree with requiring Transpower to model who the expected primary beneficiaries are of an investment in connection assets ahead of need (anticipatory investment). There are three key concerns with this proposal that arise when an anticipatory investment is being made – the proposal: 1. introduces complete discretion for Transpower 2. to subjectively determine who might be the beneficiaries of the investment 3. who will pay for the investment over an uncertain timeframe until new parties connect and use up the excess / anticipatory capacity. And later, each time any anticipatory capacity is allocated to new (or existing) connecting parties, Transpower will have to adjust the BBC standard method allocations to what could be a large number of modelled beneficiaries. Further, the Authority is also proposing a different revenue recovery methodology for

		anticipatory connection capacity than applies for capacity requested by a customer under a TWA (and being paid by existing connection customers). While it is obvious who is benefiting from a TWA related investment, connection charges for this investment are calculated using the assets and replacement asset values times a \$ rate for each asset. (Under a standard method BBC charge the potential beneficiaries would be allocated a proportion of the value of the investment based on their estimated net private benefit.) It's unclear why this different approach is justified. For the above reasons, the IEGA supports the cost of anticipatory connection investment being recovered 100% by socialising the cost among all connection customers through connection charges. When the anticipatory capacity is allocated to a new connection Transpower will transfer the related assets to that customer, continue with the same charging methodology and adjust other connection customers' charges (probably via changing/reducing the rate paid for each asset type). This sounds more straightforward than running the BBC standard methodology each time some (no matter how small) anticipatory connection capacity is contracted. It is also unclear how potential beneficiaries of anticipatory connection capacity can engage in the process of reviewing an investment Transpower decides to make over and above a TWA with a specific connecting party. The consultation paper refers to scrutiny by the Commerce Commission but is Transpower and / or the Commission required to consult on this type of investment (noting the current engagement process only applies to investment greater than \$30m)?
9	Do you agree with the proposal that the requirement to use the standard method for allocating the cost of anticipatory capacity should progress ahead of Transpower's operational review of the benefit-based charging methods? Please state your reasons.	We assume this question relates to the cost of anticipatory <u>connection</u> capacity. As outlined in response to Q8 the IEGA does not support the Authority's proposal. If the Authority decides to implement its proposal, the IEGA does not support an effective date before the outcome of Transpower's operational review of benefit-based charging

		methods to avoid rework for both Transpower and its customers. We question whether there is any urgency to make a decision on the Authority's proposal as no evidence has been provided that Transpower is already making investment in anticipatory connection capacity.
10	Do you agree that the cost of anticipatory interconnection assets should be met by beneficiaries through the normal BBC allocation approach? Please explain your reasons.	The IEGA suggests this question requires further consideration. Specifically, what is an 'anticipatory' interconnection investment? Transpower has two categories of investment: • replacement and refurbishment – this is unlikely to be like-for-like replacement / refurbishment and likely will result in an increase in interconnection capacity ahead of need that may be underutilised for a time. • enhancement and development (growth) investment – this is more obviously an increase in capacity ahead of need. For example, the Western Bay of Plenty MCP - Transpower explains why it is doing this project: <i>"The Western Bay of Plenty region is growing. Its electricity infrastructure needs to grow too, to ensure power is available when and where people and businesses need it. Electricity demand in the region is projected to possibly double by 2050."</i> There was no discussion about this project being investment in 'anticipatory capacity' when it went through the MCP process even though the project builds capacity ahead of need and results in under-utilised capacity while demand grows over the next 24 years by 50%. And the cost is being allocated using the BBC standard method. Is an interconnection investment only 'anticipatory' when it builds capacity for forecast but uncertain generation injection? (This contrasts with Transpower's current transmission investment planning that appears to be driven by demand growth.) For example, the <i>'Tararua enabling new renewables: Major Capex Proposal'</i> where Transpower is explicit that this <i>"Enabling anticipatory transmission investment could unlock significant renewable capacity, supporting Aotearoa's transition toward more renewable energy, more</i>

		<i>affordable electricity prices and electrification of how we live and work</i>". Transpower has consulted on this project but submissions are not public. The IEGA suggests the approach to assessing this type of investment (GIT assumptions including WACC and project life) as well as how the costs are recovered are interrelated. This topic of anticipatory interconnection investment deserves further analysis.
11	Can you identify better options than those proposed by the Authority to allocate the cost of anticipatory assets? Why would your option be better?	See response to Q8 in relation to connection anticipatory investment and Q10 in relation to interconnection anticipatory investment.
12	Do you have any comment on the drafting of the amendment to the treatment of anticipatory connection assets in Appendix C?	See response to Q8

Please email your submission to networkpricing@ea.govt.nz by 5pm, 7 August 2026.

Submitter	IEGA
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