

7 August 2026

Network Pricing Team
Electricity Authority Te Mana Hiko
Email: network.pricing@ea.govt.nz

Transmission Pricing Methodology Amendments 2026

Dear EA Pricing team,

Lodestone Energy appreciates the opportunity to submit on TPM Amendments 2026 paper.

Unfortunately, we did not see the release of this consultation on your website until today and missed the submission period for the first part on 24 July 2026.

Please find enclosed our submission on Appendix B – Anticipatory Investment.

We would still like to make an Appendix A submission and propose to get this to you by Monday 10th August following internal review.

We would welcome the opportunity to discuss any aspect of our submission, and would value continued engagement as the Authority develops proposed TPM amendments.

Regards,



Peter Apperley
GM Engineering & Technology

Appendix B: Submission form for anticipatory capacity

Transmission Pricing Methodology amendments 2026

Lodestone Energy is an independent generator-retailer operating five utility-scale solar farms, with further sites under construction and a consented pipeline increasingly paired with battery energy storage. We connect to both distribution networks and to the national grid and fund the full incremental cost of every connection we make. No part of this submission is confidential.

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.	Partly. The Authority has identified the mechanism, but the diagnosis omits a secondary cause and understates the consequences. We agree historical flows cease to be a reasonable proxy for benefit where the investment is intended to change those flows. We would add a second cause, and a consequence that follows from both. Cost concentration. Figure 3 shows that in low-voltage simple method regions outside the main centres, the top five customer connection locations account for most or all of regional offtake, and for all of it in NLD_LV. The whole 50% benefit-based share can therefore fall on a handful of parties whose own benefit is a fraction of the cost, giving them an effective veto over investment of national significance. The consequence of the two together is a failure to invest, not merely misallocation. Where concentrated cost is allocated to a small group, the rational response of that group is to oppose the investment, regardless of its national merit. (Footnote 31 records Transpower concluding its Northland options were not viable. The current absence of anticipatory proposals is the symptom, not evidence that the problem is theoretical.) Lodestone's own direct experience bears this out. At Kaitaia we have seen consecutive year-on-year BBC increases of approximately 37% and then 20%, driven by movements in sub-\$30 million simple method investments unrelated to our plant and delivering no

		incremental benefit to it. In thin regions the simple method approximates proximity, not benefit. The defect is in the simple method generally, not only in its application to anticipatory capacity.
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. Lodestone does not support requiring the use of the standard method. The capital cost of anticipatory connection capacity should instead be fully socialised through connection (or residual) charges. The premise of anticipatory capacity is that growth in load or generation is anticipated but uncertain. Requiring bespoke forward-looking modelling to identify the beneficiaries of growth that has not yet occurred, and may never occur, is deeply problematic as the answer to the question is unknowable. An allocation produced that way is determined by the assumptions selected rather than by anything observable, and it will be no more defensible than the historical proxy it replaces - only more expensive and less transparent. The standard method is also not in a fit state to undertake this work. The Authority records in paragraph 5.26 Transpower's concerns about the complexity and time taken for standard method modelling, the timeliness of information reaching customers, and the structural choice between quantity-based and price-quantity-based assessment of net private benefits. Transpower intends to address these in Workstream 2. Applying a method whose own administrator says is not working well, to the hardest case it will face, ahead of the review intended to fix it, is the wrong sequence. Nor would the outcome be contestable. The proposal would effectively confer on Transpower complete discretion to determine who benefits, with no obligation to publish assumptions, counterfactuals or indicative allocations and no defined opportunity for affected parties to test them. The Authority acknowledges in paragraph 5.29 that results may be sensitive to modelling inputs, and concludes that established processes manage

	this. That may be the case for a conventional upgrade assessed against observable flows. It is wholly inadequate for a counterfactual about whether anticipated generation or load materialises a decade later. Full socialisation is the better answer, and the Authority has already accepted its logic for half the cost. Anticipatory capacity exists because building one larger asset ahead of need costs less in total than a sequence of later upgrades. That saving accrues to the system and ultimately to all consumers, not to an identifiable subset of customers. Where a benefit is genuinely diffuse, a broad non-distortionary charge is the correct instrument - which is the principle the TPM already applies to costs that cannot be sensibly attributed. This is a particularly important principle at this point in time where the New Zealand electricity system needs more than ever before to invest with confidence ahead of demand. We do not accept that socialisation removes necessary scrutiny. The Commerce Commission already approves major capital expenditure and specifically scrutinises anticipatory capacity investments. The Authority's response in paragraph 5.42(a) is that the effectiveness of that scrutiny depends on all perspectives being put to it robustly. That is an argument for imposing disclosure and consultation obligations on Transpower, not for allocating cost to a customer in order to give it a financial motive to object. Socialisation is also the only option that delivers predictability. A socialised charge is small, broad and capable of being forecast. A modelled allocation is lumpy, concentrated on few parties, and unknowable until after the investment decision has been taken. It discourages investment at a time when policy and regulatory settings must encourage it. If the Authority proceeds with the standard method notwithstanding the above, we ask that it be accompanied by four safeguards: publication of the factuais, counterfactuals, key
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		assumptions and indicative allocations by customer; publication before the investment decision rather than after it; allocations fixed for the life of the investment other than through defined adjustment events; and no read-across to injection customers or to hybrid solar-plus-BESS connections without dedicated consultation.
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.	No. The cost-allocation issue must be addressed now. The standard method is not the right vehicle for addressing it. We do not accept the argument that there is no urgency. For the reasons at Q7, the current arrangements are already deterring efficient investment, and the absence of anticipatory proposals is a symptom of that rather than evidence that the problem is theoretical. As an independent, new entrant investor in New Zealand's electricity system, these impacts are the antithesis of theoretical. Socialising the balance of the anticipatory component requires no modelling capability, no new allocators and no method development, and could take effect for the 2027/28 pricing year. Requiring the standard method commits the Authority to a method Transpower is concurrently reviewing, and would fall to be revisited when Workstream 2 concludes. Proceeding with the standard method now would therefore carry the disadvantages of acting ahead of the review without securing a durable answer.
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.	Agreed in principle, but not delivered in practice. There is a specific and important issue here warranting a faster timetable. We agree beneficiaries should pay, and agree with paragraph 5.42(b) that an escalating back charge on connecting generators would create an entry hurdle and skew competition. The principle depends on identifying beneficiaries correctly, and the simple method does not, as the Authority accepts in paragraph 5.40. The consequences are larger for

		interconnection because the investments are larger. Large enabling investments intended to unlock multiple generation projects, including the Northland renewable energy zone and the Wairarapa wind interconnection, have not proceeded, with first-mover disadvantage a recognised factor. Our preferred approach is that the anticipatory component be recovered through the residual charge in the interim, transferring to benefit-based charges in proportion to capacity as that capacity is taken up. This is not the back charging rejected at 5.42(b): it is prospective, proportionate to capacity actually taken, and knowable in advance. On the scrutiny concern, the answer is disclosure obligations on Transpower and Commerce Commission scrutiny, not allocating cost to non-beneficiaries in order to produce an objector. The Authority should also define what makes an interconnection investment anticipatory. Much of Transpower's enhancement and development portfolio builds ahead of need. Without a definition the boundary will be drawn case by case, reintroducing the uncertainty this consultation is trying to remove.
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?	Yes. Socialising the full capital cost of anticipatory connection capacity is a much better option. We identify three further matters the Authority should address. Full socialisation, for the reasons at Q8. It is simple, can be implemented immediately, produces predictable charges, requires no modelling or new allocators, and reflects that the efficiency gain from building ahead of need accrues system-wide. Disclosure and consultation obligations on Transpower for anticipatory investments, whatever allocation method applies. Because the anticipatory provisions apply irrespective of the base capex threshold, it is unclear whether any formal consultation is required for anticipatory connection investments at all.

		Affected parties should have a defined opportunity to test both the case for the investment and its sizing. If the Authority's objective is genuine scrutiny, this obligation does more to secure it than any allocation rule. Resolve the asymmetry with Transpower Works Agreements. Anticipatory capacity requested and funded by a customer under a TWA sits outside the regulated pricing framework, while anticipatory capacity Transpower initiates is recovered through connection and benefit-based charges. The same physical capacity is recovered in materially different ways depending only on who initiated it, and the Authority should explain why that difference is justified. If the Authority declines to socialise, we would rank the remaining options as follows: amendment of the simple method to address the concentration identified at Q7, for example by capping the share allocable to a regional customer group below a defined size threshold with the balance to residual; then the standard method subject to the four safeguards at Q8. We do not support conditional or discretionary use of the standard method under Table 2, which invites disputes about which method applies and rewards arguing for the method that lowers a party's charge.
12	Do you have any comment on the drafting of the amendment to the treatment of anticipatory connection assets in Appendix C?	We do not support the amendment given our responses above.

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

Submitter	Lodestone Energy Limited Contact: Peter Apperley, GM Engineering & Technology
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