



Electricity Authority
Wellington

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Transmission pricing methodology (TPM) technical amendments: Implementing regulatory asset base indexation and clarifying the simple method benefit-based charge cap

Transpower welcomes the opportunity to support the Authority's amendment proposals, published 1 August 2025, for the two elements of the TPM:

- implementation regulation asset base indexation and
- clarifying the simple method benefit-based charge cap.

We appreciate the Authority's prompt attention to these technical issues raised by Transpower and to our suggestions for code drafting to remedy them. We support both proposals.

Changing the term "CC"

The Authority has additionally proposed changing the "CC" term used for *connection charges*, to CONC, to avoid confusion with the same "CC" term used for *covered cost*.

We agree it is desirable to avoid confusion in the TPM from using the same "CC" term for two different concepts (one a charge name, the other a valuation approach). However, we consider the change should apply to "CC" for *covered cost*, because the "CC" term meaning *connection charge* is longstanding and well understood by our customers.

We suggest the "CC" for covered cost should be **COVC**, which will ensure the two terms are differentiated in the TPM.

We respond to the questions on each technical element in the Appendix.

Yours sincerely

Victoria Parker
Head of Grid Pricing

Appendix – Response to Questions

Table 1 Responses for Simple Method Benefit-Based Charge Cap (SMBC)

Question	Transpower response
Q1. Do you agree the issues identified by the Authority are worthy of attention, and that the proposed changes effectively address those issues?	Yes. We identified a timing-related issue in calculating the simple method benefit-based charge cap (SMBC). The current formula is overly sensitive to when and in what order adjustment events (such as new customer connections) are processed. This sensitivity can result in lower caps for later-arriving customers, creates inconsistencies depending on when other adjustment events are processed, and inefficiently affect new customers' entry decisions.
Q2. Do you agree the issues with the SMBC are worthy of attention, and that the proposed changes effectively address those issues?	Yes. We agree the proposed changes effectively addresses the issues. The proposed change will standardise the reference point for customer allocations used in determining BBCj total. (BBCj total is customer j's total annual benefit-based charges for BBIs under the simple method, for the current pricing year and regional customer group in which customer j's connection location is located). We also support the Authority's proposal to <i>clarify that the SMBC calculation should use current covered cost rather than historic costs to calculate BBCj total.</i> To avoid doubt, the "current" covered cost is that as at the time of the adjustment event.
Q3. Do you agree with the objectives of the proposed amendment? If not, why not?	Yes.
Q4. Do you agree the benefits of the proposed amendment outweigh its costs?	Yes.
Q5. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in	Yes.

Question	Transpower response
section 15 of the Electricity Industry Act 2010.	
Q6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Yes

Table 2 Responses to changes for indexation

Question	Transpower response
Q7. Do you agree with the objectives of the proposed amendment? If not, why not?	Yes. Consequential changes to the TPM are necessary because of the Commerce Commission's decision under its 2023 Input Methodologies review, to index (increase asset valuation by inflation) Transpower's regulatory asset base.
Q8. Do you agree the benefits of the proposed amendment outweigh its costs?	Yes. The proposed amendment will re-align the TPM with the Authority's policy intent that valuation and depreciation of assets in the TPM should be consistent with the approach used for the annual cost recovery profile under Transpower's individual price-quality path determined by the Commission.
Q9. Do you agree the proposed amendment is preferable to the other options?	Yes. We agree with the Authority no other options are available.
Q10. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Yes.
Q11. Do you have any comments on the drafting of the proposed amendment?	No.