20 March 2026

Transpower New Zealand
22 Boulcott Street
Wellington 6011

By email to: tpmreview@transpower.co.nz

Dear Transpower Pricing Team,

Submission to Transpower on the *TPM Operational Review 2026 Workstream 1 consultation paper*

1.1 Introduction

We thank Transpower for the opportunity to make a submission on the recent consultation paper on *TPM Operational Review 2026 Workstream 1 consultation paper*.

ENA is the industry membership body that represents the 29 electricity distribution businesses (EDBs) that take power from the national grid and deliver it to homes and businesses (our members are listed in Appendix A).

EDBs employ over 7,800 people, deliver energy to more than two million homes and businesses, and have spent or invested $6.2 billion in network assets over the last five years. ENA harnesses members' collective expertise to promote safe, reliable, and affordable power for our members' customers.

1.2 ENA supports amendments to simplify the TPM and create greater price stability

ENA broadly supports Transpower's intent to address operational issues that have emerged since implementation of the new TPM in April 2023, particularly where these improvements reduce volatility, administrative burden, and uncertainty for customers.

EDBs have consistently highlighted that the TPM can be difficult to interpret and administer and that frequent adjustments create uncertainty for network planning and for communicating transmission costs to consumers. Measures that improve workability and predictability are therefore welcome.

However, ENA emphasises that operational changes must not unduly undermine efficient price signals, particularly where the TPM is intended to support efficient investment decisions for generation, load, and electrification.

1.3 Consultation process and timing

ENA appreciates the opportunity to provide feedback and acknowledges Transpower's willingness to consult on these proposals. However, we are concerned that the consultation period has been too short given the complexity and importance of the TPM framework.

The consultation opened on 3 March 2026 with submissions due by 20 March 2026, providing less than a three-week window and no cross-submission period.

The consultation also occurs during a particularly busy operational period for EDBs ahead of the start of the new pricing year on 1 April, especially this year with the raft of new connection pricing requirements from the Electricity Authority (Authority). During this period many EDBs are focused on finalising pricing schedules, updating systems, and communicating pricing changes to customers. This makes it particularly challenging for distributors to dedicate sufficient time and analytical resource to reviewing complex TPM proposals.

The TPM is highly technical and complex, and changes to its operational mechanisms can have significant financial implications for transmission customers and ultimately electricity consumers. A short consultation window limits the ability of EDBs to fully assess impacts, coordinate industry views, and provide robust evidence-based feedback.

ENA encourages Transpower and the Authority to allow longer consultation timeframes for future TPM changes, particularly where proposals affect core charging mechanisms or investment signals. Allowing appropriate feedback timeframes would result in more robust, well-considered feedback and increased participation, which would benefit both Transpower and the broader customer base.

We also think that there are areas of the consultation that lacked sufficient evidence to enable comprehensive assessment, noting the time constraints associated with this workstream. It is also not always clear how the proposals link back to some of the core underlying problems with the TPM.

Whilst we acknowledge the administrative burden and complexity for Transpower, our understanding is that customers' views of the TPM include that:

- it is a 'black box';
- it can (negatively) impact generation and other investment decisions;
- it creates uncertainty and fear of bill shock.

Transpower could perhaps consider answering these broad questions more explicitly in future consultations:

- How do the proposals link back to improving the underlying customer experience of the TPM?
- How does each proposal improve transparency, understanding, and engagement for distributors and end consumers? I.e. what means this will be better for Transpower's customers?
- How will these proposals impact transmission customer (and EDB customer) behaviour?

The proposals do not appear to fully take into account the impact on customer behaviour, and risk incentivising unintended behaviour. For example, if a new load or generator can avoid their annual transmission charge by connecting on 1 July rather than 30 June, then they will surely do that.

1.4 Adjustment event proposals

ENA broadly supports efforts to simplify and rationalise adjustment events where this reduces administrative burden and price volatility.

Batching of adjustment events

ENA sees merit in batching adjustment events, as this could improve predictability of transmission charges and reduce administrative overheads for both Transpower and customers.

Frequent in-year changes to transmission charges currently create practical challenges for EDBs in forecasting network costs and communicating changes to downstream customers. It is therefore important that any batching approach enables EDBs to clearly understand how costs arise and to pass these costs through to the relevant customers.

ENA recommends that batching arrangements should be designed carefully to ensure that:

- pricing is communicated in a way that allows distributors to appropriately pass these costs onto the right end customers;
- significant changes in grid use are still reflected in transmission prices within a reasonable timeframe; and
- delays in adjustments do not materially distort cost allocation signals.

Increasing the "large plant" threshold

ENA generally supports reviewing the threshold for "large plant" triggers if the current settings are resulting in a disproportionate number of adjustment events.

However, the threshold should be calibrated carefully to ensure it does not weaken locational signals or create incentives for inefficient plant sizing or location decisions. Maintaining efficient investment signals for generation and load remains important for long-term system efficiency.

There is limited supporting evidence provided on the alternatives presented, which has made it difficult to fully assess the options and reach a clear preference between increasing thresholds and adopting an IRA-based approach.

Removal of SSI adjustment events

ENA sees potential merit in removing substantial sustained increase (SSI) adjustment events if other mechanisms can capture material changes in grid use.

We see a number of advantages in shifting to an annual IRA update approach, which we set out in our response to question 6 (see Appendix B). Overall, this should provide a more equitable approach that better aligns charges with changes in grid usage over time.

However, it will be important to ensure that the TPM retains mechanisms that appropriately reflect cumulative and significant changes in electricity demand or generation patterns over time.

1.5 Connection charge and first-mover disadvantage issues

ENA welcomes Transpower seeking early feedback on emerging issues related to connection charges and first-mover disadvantage (FMD).

EDBs are particularly concerned about scenarios where:

- disconnection from shared connection locations increases costs for remaining customers; or
- investment in anticipatory assets leads to costs falling disproportionately on early movers.

These issues are likely to become more prominent as electrification accelerates, new large loads connect, and distributed generation grows. Transpower and EDBs need to consider roles carefully where embedded generation connects as a second mover. EDBs are often the contractual counterparty when it comes to funded asset component. From an operational perspective, disaggregation of these components through to EDBs would help ensure they are passed through to the relevant embedded party.

ENA agrees that these matters may warrant broader policy consideration, potentially involving the Electricity Authority, as they may extend beyond operational TPM refinements.

1.6 Cost-benefit analysis

ENA is concerned about the limited scope and robustness of the cost-benefit analysis (CBA) provided to support the adjustment event proposals.

The analysis estimates potential benefits of around $3 million (present value) over ten years, largely reflecting reduced transaction costs associated with adjustment events.

However, the CBA explicitly excludes wider impacts such as changes to investment behaviour, pricing accuracy, or long-term efficiency outcomes because these are difficult to quantify.

ENA considers this limitation to be significant. Transmission pricing mechanisms influence investment decisions across the electricity sector, and the impacts of changes to adjustment mechanisms could extend well beyond administrative costs.

ENA therefore recommends that:

- greater analysis be undertaken on potential impacts on investment signals and price accuracy; and
- Transpower and the Authority carefully assess whether the proposals deliver net long-term benefits to consumers.

Without more robust analysis, it is difficult for stakeholders to meaningfully evaluate the trade-offs involved.

1.7 Other considerations for the Operational Review

ENA encourages Transpower to continue working closely with stakeholders to identify further improvements that:

- enhance transparency of TPM calculations;
- reduce reliance on judgement in allocation processes; and
- improve predictability for customers planning significant electricity investments.

Given the increasing role of electrification and distributed energy resources, it will also be important that the TPM evolves in a way that supports efficient integration of new technologies and both load and generation growth.

1.8 Conclusion

ENA supports efforts to improve the operational workability of the TPM and reduce unnecessary volatility and administrative burden.

However, we emphasise that:

- consultation timeframes should be longer for such complex and consequential issues;
- the cost-benefit analysis supporting the proposals is currently too limited to provide confidence in the trade-offs involved; and
- changes should be carefully assessed to ensure efficient pricing signals are maintained as electrification accelerates.

We provide responses to some of your specific consultation questions in Appendix B.

ENA looks forward to continued engagement as the Operational Review progresses, particularly on areas where further analysis and industry input are required.

If you have any questions about ENA's submission please contact Gemma Pascall, Regulatory Manager ( ).

Yours sincerely

Gemma Pascall

Regulatory Manager

Appendix A: ENA Members

Electricity Networks Aotearoa makes this submission along with the support of its members, listed below:

- Alpine Energy
- Aurora Energy
- Buller Electricity
- Centralines
- Counties Energy
- EA Networks
- Electra
- Electricity Invercargill
- Firstlight Network
- Horizon Networks
- MainPower
- Marlborough Lines
- Nelson Electricity
- Network Tasman
- Network Waitaki
- Northpower
- Orion New Zealand
- Powerco
- PowerNet (which manages The Power Company, Electricity Invercargill, OtagoNet and Lakeland Network)
- Scanpower
- Top Energy
- The Lines Company
- Unison Networks
- Vector
- Waipa Networks
- WEL Networks
- Wellington Electricity
- Westpower

Appendix B: Responses to specific consultation questions

Consultation question	ENA response
Q1. Do you have any comments on the process, timing and/or prioritisation of each of the Operational Review workstreams?	ENA appreciates the opportunity to provide feedback but considers the consultation timeframe too short given the technical complexity and potential financial impacts of TPM changes. The consultation window of less than three weeks, with no cross-submission period, limits the ability of EDBs to fully assess impacts and coordinate industry feedback, especially during a busy pricing period. ENA encourages Transpower and the Electricity Authority to allow longer consultation timeframes for future TPM changes where possible.
Q2. Are there any other matters that we should consider as part of the Operational Review?	No ENA comment.
Q3. Are there any matters we should specifically exclude from the Operational Review?	No ENA comment.
Q4. Do you agree with the proposed amendment – batching of adjustments with a deemed 30 June event date?	ENA sees merit in batching adjustment events where this improves predictability of transmission charges and reduces administrative burden for both Transpower and customers. Frequent in-year adjustments create practical challenges for EDBs when forecasting costs and communicating transmission charges to downstream customers. However, any batching approach should ensure that significant changes in grid use are still reflected in transmission prices within a reasonable timeframe and that price signals remain broadly cost-reflective. It is particularly important for EDBs is how they can pass these price signals onto customers. For generation in particular, EDBs are only allowed to charge 'incremental costs'. It is therefore particularly

Consultation question	ENA response
	important to be able to link the transmission costs to specific connections to enable the right passthroughs.
Q5. Are there any other options to simplify adjustment events timing that we should consider?	ENA supports further exploration of mechanisms that reduce the frequency of in-year adjustments while maintaining efficient pricing signals. This includes, but is not limited to, further analysis of the Intra-Regional Allocator (IRA) proposal. Annual recalibration of certain parameters may be one option where this reduces administrative complexity without materially distorting cost allocation outcomes.
Q6. Do you support (i) increasing the "large" plant threshold, or (ii) annual IRA updates? Which option, if either, do you prefer and why?	The current threshold-triggered adjustment event framework gives rise to several distortions: • large generation customers that connected prior to the introduction of the current TPM reduced our exposure to BBCs, while new generation connections increase our exposure; • our BBC increases when a large generator connects, despite our reduced reliance on the grid; • the notionally-connected treatment of large embedded generation results in us paying BBC as if we are simultaneously both a load and an injection customer; and • embedded load customers are actively moderating enhancement activity to avoid triggering adjustment events. We generally support moving to annual IRA updates, as this change would materially reduce these distortions. However, ENA is open to further discussion on the relative merits of increasing thresholds versus adopting annual IRA updates, as we feel that the current consultation paper provides insufficient detail on how this would work and the relative costs and benefits of such an approach. This is resulting in some differences of opinion amongst EDBs.

Consultation question	ENA response
	While we acknowledge that an IRA change would create an incentive to embed generation (while load remains available to offset), this incentive is less problematic than the distortions noted above. In practice, the decision to embed or connect to the grid is often driven by technical constraints, and in many cases only one option is viable. An annual IRA update will capture cumulative smaller movements that are currently missed by the adjustment events, and avoid the uncertainty of when adjustment events are triggered. An annual IRA update would also correct the effects of prior adjustment events by realigning BBC with the level supported by underlying load grid injection. We are comfortable that charges for prior periods do not need to be revisited; however, an adjustment on a forward-looking basis is required to avoid permanently locking in unfair adjustment event outcomes for customers that have connected since the introduction of the current TPM. This is a risk if increasing the threshold, as it could disadvantage EDBs and their customers for existing connections.
Q7. If Transpower proposed raising the threshold for "large plant", what threshold(s) do you consider would be appropriate?	ENA considers that a higher threshold may be appropriate if the current threshold is driving excessive adjustment events. However, the appropriate level should be informed by further analysis of how different thresholds affect investment signals, adjustment event frequency, and overall price accuracy.
Q8. Are there any other options to address trigger/threshold sensitivity we should consider?	No ENA comment.
Q9. Do you agree with our initial view that the TPM should be amended to: remove the SSI adjustment events; clarify treatment of staged projects;	ENA sees potential merit in removing SSI adjustment events if other mechanisms adequately capture material changes in grid use over time. Any removal should ensure that significant structural changes in

Consultation question	ENA response
remove embedded adjustment events and SSI; and/or switch to annual review of IRAs and remove most adjustment events?	demand or generation are still reflected in cost allocation outcomes. The annual review of IRA appears to have the greatest merit as an approach that would address the definition and administrative issues with SSI adjustment events. However, we note that limited analysis has been provided around the unintended consequences that could result from adopting this option.
Q10. Are there any other options that we should consider to improve adjustment event workability?	No ENA comment.
Q11. What is your view on our approach to the CBA, including its inputs and underlying assumptions?	ENA considers the current CBA to be too limited to support robust evaluation of the proposals. The analysis focuses primarily on transaction costs and does not capture wider impacts on investment signals, pricing accuracy, or long-term efficiency outcomes. Given the TPM's influence on investment decisions across the electricity sector, these broader impacts could be significant. ENA encourages further work to better understand these effects before finalising any changes. In particular, the CBA should consider the IRA option which is currently not included within the consultation documents.
Q12. Do you agree with the proposal to extend the first simple method period to the end of PY2029 or to the end of PY2030 if required?	ENA agrees in principle that this approach makes sense.
Q13. Are there any other options we should consider for the second simple method period work?	No ENA comment.
Q14. Do you agree with the proposal to clean up the TPM legal text?	ENA agrees in principle but has not had time to review the specific proposed changes.
Q15. Are there any other opportunities to clean up the TPM legal text we have not identified?	No ENA comment.

Consultation question	ENA response
Q16. Do you agree that disconnection from a shared connection location creates a problem for remaining customers at that location? Do you think this is or could become a material problem?	Yes. EDBs are concerned that disconnection from shared connection locations may lead to increased costs for remaining customers, potentially creating inequitable outcomes. As electrification and distributed generation increase, these situations may become more common and warrant further policy consideration. While there is always uncertainty, the problem emphasises the importance of robust investment decision making, including an awareness of counterparty risk.
Q17. What other options do you think should be considered? Are these options consistent with the intent of the TPM Guidelines?	No ENA comment.
Q18. Do you think that this is a matter that could/should be addressed through the Operational Review?	ENA considers that an Operational Review is an efficient approach to address workability issues within the current methodology. Where suitable solutions cannot be identified because of constraints imposed by the current guidelines, the matter may need to be referred to the Electricity Authority to resolve underlying policy issues.
Q19. Do you agree that anticipatory investment in interconnection assets can create first mover disadvantage problems? Do you think this is or could become a material problem?	Yes, ENA agrees anticipatory investment can create first mover disadvantage and this is likely to become more material as electrification increases.
Q20. What options do you think should be considered? Are these options consistent with the intent of the TPM Guidelines?	The Energy Framework have a workstream to consider alternative funding for anticipatory investment. We recommend Transpower stay connected with this work as the operational review continues. Within the time allowed, ENA is unable to comment on how easily the option could be implemented while maintaining consistency with the TPM Guidelines.
Q21. Do you think that this is a matter that could/should be addressed through the Operational Review?	Potentially, but it is important to stay connected to existing workstreams in the sector that are also considering this problem.

Consultation question	ENA response
Q22. Under the FMD Type 1 mechanism, which Transpower customer(s) should bear the financial risk of second mover(s) not connecting or delaying their connection?	ENA thinks further analysis should be undertaken to better understand the potential scenarios here and the impacts on different users. However, the default position should *not* be to impose this risk on load customers alone. Existing generators benefit from delayed investment by other generation connections for whom transmission assets have been constructed, this benefit is realised through the increased system capacity and higher prices their generation can command through the spot market.
Q23. Do you agree that the FMD Type 1 mechanism is not functioning the way it should for connection assets that benefit embedded large plants? Do you think this is or could become a material problem?	Refer to response to Q22.
Q24. What options do you think should be considered? Are these options consistent with the intent of the TPM Guidelines?	Refer to response to Q22.
Q25. Do you think these are matters that could/should be addressed through the Operational Review?	Refer to response to Q22.
Q26. Do you agree with the overall objectives of the proposed TPM Operational Review?	ENA broadly supports the objective of improving transparency, predictability, and workability of the TPM while maintaining efficient pricing signals. Simplifying operational aspects of the TPM could benefit both Transpower and transmission customers if implemented carefully.
Q27. Do you agree it is appropriate to rely on the quantitative analysis of the costs and benefits of the adjustment event proposals and a qualitative evaluation of the costs and benefits of the housekeeping proposals?	ENA does not consider the current analytical approach sufficient to support robust decision-making. Refer to 1.6 in the body of this submission.

Consultation question	ENA response
Q28. Do you agree the benefits of the proposals can reasonably be expected to outweigh their costs?	Refer to response to Q27 above.
Q29. Do you agree that the preferred options will comply with section 32(1) of the Act?	Refer to responses on specific proposals throughout this submission.