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COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

EDB-Initiated GXP Investments

Issues paper

3 November 2026



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Chapter 1 Introduction

Purpose of this paper

1.1 This Issues Paper has been prepared by the Commerce Commission (the Commission/us), in collaboration with the Electricity Authority (EA), as part of the EDB-Initiated GXP Upgrade Review under the Energy Competition Task Force Project 2.0 (Task Force).

1.2 The Task Force is a joint initiative of the Commission, the Ministry of Business, Innovation and Employment (MBIE) and the EA. The Task Force is concerned that current arrangements for Electricity Distribution Businesses (EDB)-initiated Grid Exit Point (GXP) investments, may result in consumers paying more than necessary for network services.

1.3 GXP investments are investments in the infrastructure that enables a local electricity network to receive electricity from the national grid and distribute it to homes and businesses. This can include substations, transformers, switching equipment, and control systems that help receive, manage, and deliver electricity safely and reliably.

1.4 EDB-initiated GXP investments are a significant and growing source of electricity network expenditure. Approximately $600 to 700 million of this type of investment is currently under investigation, development, or delivery. These costs are ultimately recovered from electricity consumers, and, in some cases, individual investments could increase annual electricity costs for an average residential consumer by up to $200 to 300 per year.

1.5 Unlike many other major network investments, EDB-initiated GXP investments are generally recovered from EDBs' consumers via pass-through charges. Pass-through charges are not subject to the same expenditure approval processes, efficiency incentive mechanisms, and transparency requirements that apply elsewhere in the regulatory framework.

1.6 The significance of this issue is increasing as developing technologies, including battery storage and distributed energy resources (DER) create opportunities to defer, reduce, or avoid traditional network investment. The Task Force is particularly interested in whether these alternatives are being given sufficient consideration when investment decisions are made.

1.7 As expenditure on GXPs increases, so does the importance of ensuring that investment decisions are made in the long-term interest of consumers. Given the scale of expenditure involved and that the costs are ultimately borne by consumers, even relatively small improvements in investment outcomes could deliver significant long-term benefits. The text box below outlines the key characteristics of a well-justified GXP investment and the good practices that support efficient investment decisions in consumers' long-term interests.

Indicators of Good Practice in EDB-Initiated GXP Investments

- Robust demand forecasting that considers uncertainty, multiple scenarios, and the risks of both under-investment and over-investment.
- Regular validation of demand assumptions, particularly where forecasts depend on a small number of large consumers or emerging technologies.
- Early and comprehensive assessment of alternatives, including network, non-network, operational, distributed energy resource (DER), pricing and demand-side solutions.
- Quantitative comparison of options, including hybrid and staged approaches that may defer, reduce or avoid major transmission investment.
- Clear evidence of consumer value, supported by analysis of:
    - cost per MW of additional capacity delivered;
    - cost per MWh of forecast demand served;
    - expected utilisation of incremental capacity;
    - the economics of deferral and the value of waiting under uncertainty; and
    - the benefits required to justify the investment.
- Demonstration that the preferred option provides the best value outcome for consumers relative to credible alternatives.
- Meaningful consumer engagement, including consumers driving demand growth and those who will ultimately fund the investment.
- Transparent decision-making, with clear communication of needs, options, trade-offs, expected bill impacts and reasons for selecting the preferred option.
- Independent technical and economic review and challenge of key assumptions, forecasts, investment timing, and option assessments.
- Efficient project delivery, including competitive tendering of contestable project components where practicable.
- Post-investment review, assessing whether forecast demand, costs and benefits have materialised and identifying lessons for future investments.

1.8 The purpose of this paper is not to reach conclusions on the efficiency of any individual GXP investment. Rather, it is to assess a sample of recent and proposed EDB-initiated GXP investments to better understand how investment needs are identified, assessed and progressed under current arrangements, and to explore whether any broader issues may warrant further consideration.

1.9 This analysis is intended to inform whether the current framework provides sufficient assurance that GXP investments are efficient, proportionate to network needs, and deliver value for consumers.

1.10 Through the review, the paper seeks stakeholder views on whether the observations identified are indicative of more widespread issues and, if so, whether changes to existing arrangements should be considered.

Submissions on this paper

1.11 We seek your views on the matters discussed in this paper by 5pm Tuesday 15 December 2026.

1.12 Please address your email submission to: Ben Woodham, EDB Manager, c/o infrastructure.regulation@comcom.govt.nz with 'EDB-initiated GXP investments' in the subject line of your email.

1.13 We prefer submissions in both a format suitable for word processing (such as a Microsoft Word document), as well as a 'locked' format (such as a PDF) for publication on our website.

Confidential submissions

1.14 While we encourage public submissions so that all information can be tested in an open and transparent manner, we recognise that there may be cases where parties that make submissions wish to provide information in confidence. We offer the following guidance:

1.14.1 Where commercial sensitivity is asserted, submitters must explain why publication of the information would be likely to unreasonably prejudice their commercial position or that of another person.

1.14.2 Both confidential and public versions of the submission should be provided.

1.14.3 The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.

1.14.4 Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reasons existed under the Official Information Act 1982 to withhold it. We would normally consult with the party that has provided the information before any disclosure is made.

1.15 We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public' version.

Chapter 2 Context and Background

What are EDB-initiated GXP Investments?

2.1 GXPs are the connection points at which electricity is transferred from Transpower's transmission network to EDBs and major electricity users.

2.2 In New Zealand's electricity market, EDBs are responsible for ensuring there is sufficient network capacity to efficiently meet the needs of their consumers, including transmission capacity at the point of connection to the national grid.[1] EDBs effectively contract on behalf of their customers to provide sufficient connection capacity and can recover those costs through network charges.

2.3 EDB-initiated GXP investments arise where an EDB identifies a future network capacity, reliability, resilience, or growth-related need, and engages with Transpower to investigate potential transmission solutions.

2.4 The process generally begins through an EDB's network planning and Asset Management Plan (AMP) processes. Where an emerging constraint is identified, the EDB and Transpower typically work together to assess potential solutions.

2.5 Transpower generally undertakes technical investigations, develops transmission options, prepares cost estimates, and is responsible for delivering and operating the associated transmission assets including the GXP. Demand forecasting, planning assumptions, and the assessment of non-network alternatives are typically led through the EDB's planning processes.

2.6 Although Transpower typically delivers most GXP-related assets, some project components, namely the civil or mechanical engineering components may be procured from alternative providers.

2.7 Investment arrangements are generally formalised through a Transmission Works Agreement (TWA) or similar contractual arrangement, under which Transpower's costs of owning and operating the GXP are recovered from EDBs over the lesser of the weighted average physical life of the assets or, 30 years.

Regulatory Treatment

2.8 EDB-initiated GXP investments occupy a distinct position within the regulatory framework for cost recovery and charges to consumers. Where the requirements for pass-through cost treatment are satisfied, costs incurred by an EDB under a TWA with Transpower may be recovered from consumers as pass-through costs.[2] The requirements for pass-through treatment relate to the eligibility of those costs for recovery under the price path and do not constitute a separate expenditure approval process for the underlying investment.

2.9 The Commission has previously considered the treatment of transmission-related costs incurred by EDBs, including costs arising under TWAs.[3]

2.10 When the original EDB Input Methodologies (IMs) were developed in 2010, EDB transmission investments were recognised as having characteristics that differed from other forms of new investment contracts. As a result, the associated costs were initially treated as *recoverable costs* rather than *pass-through costs*, with the Commission retaining an approval role in relation to the amount of cost that could be recovered from consumers.[4] That approval process related to the eligibility of those costs for recovery under the price path rather than to approval of the underlying investment itself.

2.11 Subsequent IM reviews moved these costs into the pass-through cost category.[5] However, the reasoning focused primarily on the mechanics of cost recovery and revenue smoothing, rather than on a detailed reassessment of whether EDB-initiated GXP investments warrant distinct regulatory treatment from other forms of transmission-related expenditure, as had been recognised in the original IM framework.[6]

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2 Commerce Commission, Electricity Distribution Services Input Methodologies Determination 2012 consolidated as of 23 June 2026, (23 June 2026), clause 3.1.2 (2)(d)(i).

3 Ibid, clause 3.1.3(1)(b).

4 Pass-through costs and recoverable costs are both costs that a non-exempt EDB can recover in addition to its base revenue allowance, but they differ in their nature. Pass-through costs are generally externally imposed charges that the EDB has little control over, such as regulatory levies, transmission charges and rates, and are passed directly through to consumers. Recoverable costs are a broader category of specified expenditures that the Commerce Commission allows EDBs to recover outside their standard revenue allowance, often subject to eligibility criteria or approval requirements.

5 Commerce Commission, Report on the Input Methodologies Review 2023 (13 December 2023), para 7.16.1 (p 84) ("reclassify recoverable costs relating to transmission services as pass-through costs").

6 Commerce Commission, Electricity Distribution Services Input Methodologies Determination 2012 consolidated as of 23 June 2026, (23 June 2026), clause 3.1.(2)(d).

2.12 Consequently, TWA costs can be recovered from consumers as pass-through costs without the expenditure approval requirements, incentive mechanisms, or transparency obligations that apply to other categories of regulated network expenditure. While recovery of those costs remains subject to the regulatory requirements applicable to pass-through costs, those requirements are principally directed at determining the costs that may be recovered from consumers. They provide limited ex-ante scrutiny within the EDB regulatory regime of investment need, timing, scale or the consideration of alternative solutions before consumers become liable for the resulting costs.

Chapter 3 The process the Commission followed in undertaking the review

3.1 The Commission, on behalf of the Task Force, worked with Transpower to develop an overview of EDB-initiated GXP projects undertaken between 2021 and 2026, as well as projects currently planned.

3.2 The scale of EDB-initiated GXP investment has increased significantly in recent years and is projected to continue growing over the coming decade. Projects currently under investigation, development, or delivery are estimated to involve approximately $600 to 700 million of expenditure over the next five years.[7] The principal drivers appear to be the need to accommodate increasing electricity demand associated with decarbonisation, together with regional demand growth in certain areas.

3.3 To assess opportunities for improvements, the Commission selected a representative sample of these projects and issued requests for information (RFIs) to the relevant EDBs. The RFIs sought information across the investment lifecycle, including demand forecasting, option identification and assessment (including assessment of alternative solutions), business case development, stakeholder engagement, investment decision-making, and project delivery.

3.4 The information received was analysed to assess the nature and extent of the investigations undertaken by the sampled EDBs. Based on this analysis, we identified a number of themes and issues, which are discussed further in this paper.

[7] Source: Transpower RFI response that is not published due to containing commercially sensitive information.

Chapter 4 Key issues identified

Significant variation across EDBs

4.1 The assessment identified both good practice and areas for improvement. No EDB sampled consistently demonstrated best practice, and none performed consistently poorly across all areas assessed. On this basis, we consider there are clear opportunities for improvement. These areas are discussed below.

4.2 The quality and robustness of supporting analysis varied across the EDBs. The areas where the greatest variation was observed included:

4.2.1 Technical analysis and network assessments.

4.2.2 Evaluation of alternative options.

4.2.3 Economic and cost-benefit analysis.

4.2.4 Consumer and stakeholder engagement.

4.2.5 Use of independent review and challenge processes.

4.3 These variations suggest that there is an opportunity to improve consistency and strengthen planning practices for EDB-initiated GXP investments across the sector.

Demand forecasting is a key source of risk

4.4 Demand forecasts are a critical input to GXP investment decisions and should be robust, evidence-based, and appropriately reflect uncertainty. In particular, investment cases would generally be expected to assess a range of plausible demand outcomes, test key assumptions, consider both upside and downside risks, and ensure investment timing is resilient to uncertainty about future demand growth and consumer requirements.

4.5 While the sampled EDBs generally adopted forecasting approaches consistent with industry practice and had undertaken substantial analysis to identify future network requirements, the review identified demand forecasting as a significant source of uncertainty and investment risk.

4.6 As shown in Appendix 1, forecast accuracy has been a persistent challenge across the sector.[8] Forecast demand is frequently not achieved, highlighting the difficulty of accurately predicting future network demand and the importance of carefully considering forecasting uncertainty when assessing investment needs.

[8] Source: Commerce Commission, Performance Accessibility Tool Dataset, csv.gz.

4.7 A common observation from the sampled EDBs was the extent to which forecast demand growth depended on a relatively small number of large customer projects, including industrial electrification initiatives, decarbonisation projects, irrigation schemes, and major industrial expansions. In several cases, these projects represented a material proportion of expected future demand, meaning delays, downsizing, cancellations, or changes in consumer decisions could significantly alter both the timing of network constraints and the economics of the proposed investment.

4.8 Although many business cases considered higher-growth scenarios and the risks of constraints emerging earlier than expected, less attention was generally given to downside outcomes. Few business cases examined the implications of economic downturns, lower-than-expected demand growth, consumer closures, future potential DER injection, policy changes, or delays and cancellations of major projects. This is particularly important given the inherent uncertainty of demand forecasting, especially where forecasts are concentrated among a small number of consumers or rely on emerging technologies and evolving policy settings.

4.9 More broadly, uncertainty was often treated asymmetrically within investment decision-making. Business cases typically placed considerable emphasis on the consequences of under-investment or delayed investment, including reliability risks, capacity constraints, delays to consumer connections, reputational impacts, lost economic opportunities, long transmission lead times, and rising construction costs. However, comparatively little analysis was provided on the risks and costs of investing too early. These risks include demand growth occurring later than forecast, major consumer projects failing to proceed, and declining demand from existing consumers. Less consideration was also given to technological developments that could reduce network requirements, increasing demand-side flexibility, and the benefits of obtaining additional information before committing to large and largely irreversible investments.

4.10 Related to this, many business cases did not explicitly assess the potential "value of waiting". Under conditions of uncertainty, deferring an investment decision can provide time for greater clarity to emerge regarding consumer commitments, demand growth, distributed energy resource uptake, technology developments, and policy changes. This consideration is particularly relevant for GXP investments, which are typically large, long-lived, and difficult to reverse once committed.

4.11 A further consideration is that network capacity investments are often driven by relatively short periods of peak demand. As illustrated by the New Zealand load duration curve for the period 1 July 2025 to 30 June 2026, the highest levels of network utilisation occur for only a relatively small number of hours each year.[9]

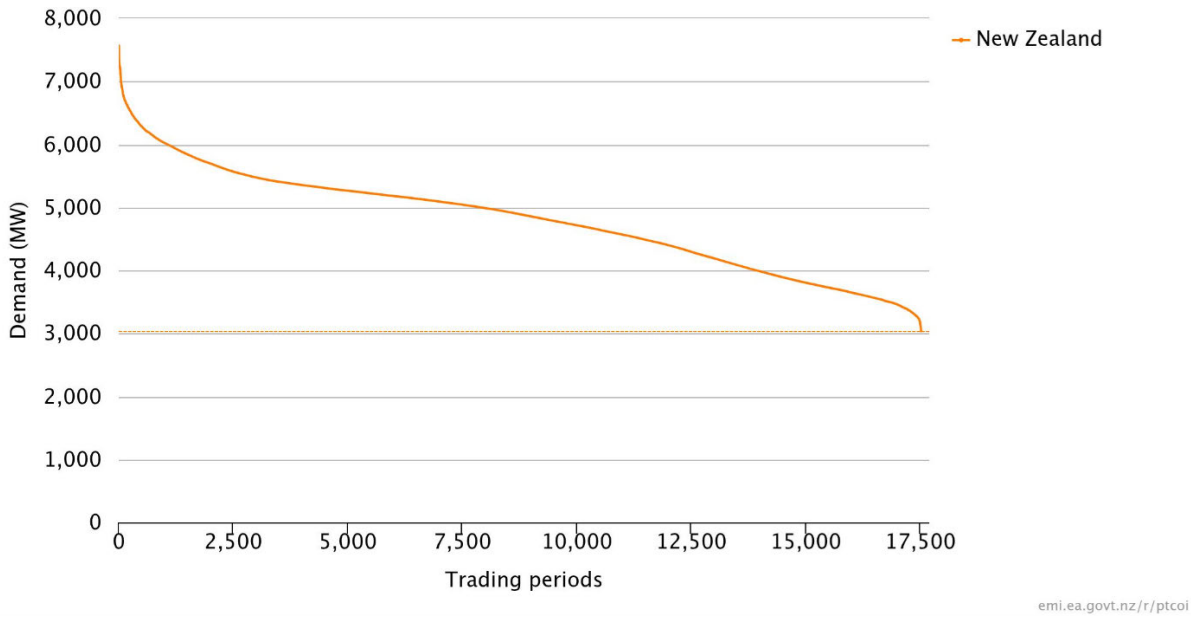


FIGURE 1 DEMAND (MW) RECORDED DURING DIFFERENT TRADING PERIODS FROM 01/07/2025 TO 30/06/2026

4.12 This means that a substantial increase in network capacity may deliver only a modest increase in the total volume of energy served. In this context, it is also important for EDBs to assess not only whether a proposed investment alleviates a forecast constraint, but also the expected utilisation of the additional capacity and the cost per MWh of the additional energy delivered. This provides an important additional perspective on the efficiency and timing of proposed GXP investments, particularly where future demand growth is uncertain.

4.13 The review does not suggest that investment decisions should necessarily be delayed. Long transmission lead times, reliability obligations, and consumer connection requirements may justify investment in advance of an actual constraint. However, the findings suggest greater consideration could be given to both the risks of under-investment and over-investment. The use of investment trigger points, staged investment pathways, explicit downside scenario analysis, assessment of the value of waiting, and consideration of the expected utilisation of incremental capacity may help better align investment timing with consumers' long-term interests.

[9] Source: Electricity Authority, wholesale market datasets, EMI.

Alternative technical (including non-network) solutions are considered but not comprehensively assessed

4.14 Alternative solutions should be considered by EDBs alongside traditional network investment options when assessing how best to meet future network needs. Good practice would generally involve identifying early in the process a broad range of network and non-network solutions, undertaking quantitative assessment, considering whether combinations of measures could address the identified need, and testing the market where appropriate to determine whether alternative providers can deliver efficient outcomes.

4.15 All EDBs included in our sample advised that alternative solutions were considered as part of their planning process. However, the depth of analysis, level of evidence supporting decisions, and extent to which alternatives were explored varied considerably between EDBs. Some EDBs undertook relatively detailed assessments of alternative solutions, while others relied primarily on high-level qualitative judgments.

4.16 The alternative solutions considered included demand response, distributed energy resources, battery storage, network reconfiguration, operational measures including special protection schemes, and traditional network reinforcement options. In most cases these options were identified and discussed, but there was limited evidence of detailed modelling or quantitative comparison against the preferred GXP investment. While some of the sampled EDBs undertook analyses that addressed related issues, such as the cost of investment deferral, unserved energy risks, capacity delivered by alternative options, and comparisons of network and non-network solutions, there was generally limited evidence of explicit assessment of the cost per MWh (or equivalent unit of capacity) delivered by the proposed GXP investment, the benefits required for the investment to be economic, or the implied maximum willingness to pay for alternative solutions capable of deferring the investment.

4.17 The EDBs also generally assessed many of the alternatives against the question of whether they could fully replace a GXP investment. This framing tends to favour traditional network solutions, as many non-network alternatives are unlikely to provide a complete substitute for a major transmission upgrade in isolation. A more robust assessment would consider whether a portfolio of measures could deliver similar outcomes at lower cost or risk.

4.18 The Commission also found limited evidence of integrated or staged approaches, with alternatives often evaluated individually rather than as part of a coordinated solution. For example, there was little analysis of how demand response, distributed generation, battery storage and operational measures could be combined over time to defer or reduce the need for a GXP investment.

4.19 Similarly, there was limited evidence that non-network alternatives had been actively trialled, tested, or competitively procured before being concluded to be unsuitable. Some EDBs had engaged with providers of flexibility services, battery storage, distributed generation, demand response, and other distributed energy resources. However, these engagements were generally preliminary and had not progressed to formal market testing or competitive processes to demonstrate whether these alternatives could meet the identified need at lower cost.

4.20 Several EDBs identified practical challenges associated with these alternatives, including uncertainty around consumer participation, operational complexity, reliability of performance and commercial arrangements. However, in many cases the decision to reject these options appeared to be based primarily on engineering judgement, modelling assumptions, or high-level desktop assessments, rather than on practical operational experience or evidence from real-world deployments. As a result, there is a material risk that potentially viable alternatives are being excluded from consideration before sufficient evidence has been gathered to demonstrate that they are inferior to the preferred GXP investment option.

4.21 The Commission recognises that some of the investments reviewed were developed at a time when flexibility markets and distributed energy resource solutions were less mature than they are today. However, there are now more and growing opportunities for greater use of competitive procurement and market testing of both network and non-network solutions when assessing future investment needs, which has been reinforced by the recent joint open letter from the Commission, EA and EECA.[10]

Pricing

4.22 Prices play an important role in promoting efficient use of electricity networks and helping to identify when network investment may be justified. Price signals can provide consumers with opportunities to modify their demand, adopt flexibility solutions, or invest in alternative technologies that may reduce or defer the need for costly network augmentation.

4.23 There are two complementary price signals relevant to GXP investments: the first signals the cost of using the available capacity at the GXP, while the second signals the cost of enhancing that capacity.

[10] The Electricity Authority, Commerce Commission and Energy Efficiency Conservation Authority recently released a joint letter encouraging EDBs to consider non-network solutions Joint-letter-to-EDBs-on-non-network-solutions-24-February-2026, page 4.

4.24 Nodal prices at a GXP reflect the short-run marginal cost of supplying electricity at a location, including transmission losses and constraints. When available GXP capacity becomes constrained, nodal prices increase. These prices encourage demand and supply responses and constrain net load to the capacity of the GXP.

4.25 The second signal is the prospect of the GXP investment costs. Users connected to the GXP will eventually face a share of the costs of a proposed GXP upgrade. If such future transmission connection costs are signalled appropriately, this prospect can create incentives for consumers to modify their use to reduce their share of such costs. Such responses may then reduce or defer the need for the upgrade. It can also increase the incentive on consumers or their agents to scrutinise the EDB's plans and consider whether it has adequately considered non-network solutions.

4.26 The optimal nature and interaction of price signals to support efficient investment is subject to a range of views. There are efficiency risks associated with over signalling and unduly suppressing demand. Conversely, signals that are not sufficiently clear and cost-reflective could reduce opportunities to drive lower system costs.

4.27 While we saw variable evidence from the sampled EDBs of signalling emerging transmission constraints, and, as discussed above, variable evidence of EDBs seeking alternatives and competing options, we saw no evidence of EDBs publicly signalling in advance the allocation of the GXP investment costs or the method by which those costs would ultimately be passed through to consumers, especially those consumers that were responsible for the constraint. Further, we saw no evidence that EDBs had factored into their decisions the nodal price effects of GXP investments that would reduce constraints.

4.28 We would welcome views on:

4.28.1 Whether EDBs could do more to signal prospective GXP investment costs to their consumers (before the investment is made and they become transmission pass-through costs).

4.28.2 Whether new or different types of network charges reflecting future GXP costs and/or procurement arrangements (e.g., tenders for capacity) could elicit efficient investment in alternatives or demand response.

4.28.3 Other issues to consider on the role of price signals in relation to GXP upgrades.

Limited independent testing and review

4.29 Given the scale and long-lived nature of GXP investments, appropriate independent review can help test key assumptions, assess risks and uncertainties and provide assurance that investment decisions are robust. The form and extent of review will vary depending on the capabilities of the EDB. EDBs with significant internal planning and engineering expertise may appropriately rely on internal analysis supported by targeted external peer review, while EDBs with less specialist capability may require more extensive external input. Good practice would generally involve appropriate scrutiny of important elements of the investment case, including demand forecasts, technical solutions, alternative options and investment timing.

4.30 The extent of independent challenge and review varied significantly across the projects examined. While some EDBs commissioned substantial external reviews of demand forecasts, investment timing, alternative solutions, and business case assumptions, others relied primarily on internal capability and decision-making processes.

4.31 Independent technical reviews were more common than independent economic reviews. External specialists were often engaged to confirm engineering requirements, validate technical solutions, or undertake specific network studies. However, the scope of these reviews was typically focused on technical matters, with fewer examples of reviewers being asked to test demand forecasts, assess the economic case for investment, or evaluate whether non-network alternatives could deliver comparable outcomes.

4.32 The degree of external testing also varied considerably. Some projects benefited from multiple rounds of independent review and reassessment as forecasts and circumstances changed. In other cases, external involvement was more limited and focused primarily on validating the preferred solution rather than critically evaluating alternative approaches.

Limited transparency and engagement with consumers

4.33 Effective consumer engagement on GXP investments enables EDBs to understand future demand requirements, consumer preferences, willingness to pay, and acceptable trade-offs between service, reliability, and cost. We expect engagement to be proportionate to the scale of the investment and its impact on consumers. Where investments could increase network charges by as much as $200 to $300 per year for residential consumers, EDBs should be able to demonstrate meaningful engagement on the costs, benefits, and potential alternatives. These insights can then help ensure investment decisions align with consumer needs and deliver value for consumers.

4.34 The Commission observed shortcomings and inconsistencies in the consumer engagement undertaken by EDBs for proposed GXP investments. In many cases, EDBs engaged extensively with their larger consumers to understand future business plans, anticipated electricity demand, and the potential benefits associated with additional GXP capacity. However, there was generally more limited evidence of engagement with an EDB's broader consumer base, despite the significant cost of these investments and their potential impact on consumer electricity bills, including for residential consumers, where there could be increases of as much as $200 to $300 per year.

4.35 The Commission acknowledges that GXP investments and the associated power system engineering considerations are complex and may not readily lend themselves to consultation on detailed technical matters. However, we would have expected to see substantially greater evidence of engagement with a broader base of consumers on higher-level issues such as the need for the investment, the range of options considered, the likely bill impacts, and the costs and benefits associated with alternative service levels and investment approaches.

4.36 The appropriate extent of engagement will depend on the scale and significance of the proposed investment and its impact on consumers. For larger investments with potentially material bill, service or risk implications, good practice would generally involve more in-depth engagement that seeks consumers' views and preferences and demonstrates how those views have informed decision-making, rather than relying solely on information sharing or notification.

4.37 Where investment decisions are primarily informed by a relatively small number of large consumers, there is a risk that decisions on GXP investments may not fully reflect the preferences, willingness-to-pay, and reliability expectations of the broader consumer base that will likely bear the costs associated with the investment. Broader engagement could help provide greater confidence that investment decisions appropriately balance the interests of all consumers and that the selected investment option delivers value from a network-wide perspective. The increased engagement and associated transparency may also improve the quality of the business cases that are prepared.

Limited competitive pressure in project procurement

4.38 Exploring competitive procurement options beyond Transpower may provide benefits even where Transpower remains the preferred provider. Competitive procurement can help test whether proposed costs are efficient, identify opportunities for lower-cost delivery or financing arrangements, and provide additional scrutiny of project risks and assumptions. It may also encourage innovation, reveal alternative approaches to meeting network needs, and strengthen confidence that the selected solution represents the best value for consumers.

4.39 The review found that EDB-initiated GXP investments were almost exclusively developed and delivered through Transpower. The Commission saw little evidence that EDBs had actively considered or assessed credible alternative providers for the development and delivery of aspects of GXP projects.[11] In practice, Transpower was generally the only provider considered for these activities. A potential factor is that Transpower's TWA framework bundles delivery and long-term cost recovery arrangements, allowing investment costs to be recovered over an extended period. Replicating these arrangements through alternative providers may be more challenging, particularly for smaller EDBs, and could require separate financing arrangements that increase transaction costs and commercial risk. The Commission also notes that, in recent years, some generators have engaged parties other than Transpower to develop aspects of their equivalent Grid Injection Points (GIPs).[12]

4.40 The Commission has not formed a view that the use of third-party providers would automatically result in significant cost savings, lower risks, or other benefits. However, limited consideration of alternative providers may have reduced opportunities to test the market, undertake competitive procurement, and explore alternative approaches to project delivery.

Economic analysis is generally weaker than technical analysis

4.41 Robust economic analysis is critical to ensuring that technically justified investments also represent the most efficient outcome for consumers.

[11] Note that, under the Input Methodologies' pass-through provisions, Commerce Commission, Electricity Distribution Services Input Methodologies Determination 2012 consolidated as of 23 June 2026, (23 June 2026), clause 3.1.(2)(d)(i), an EDB may be able to pass through to consumers the costs of a GXP development undertaken by a party other than Transpower under an arrangement equivalent to TWA. To do so, the EDB must obtain Commerce Commission approval for the costs to be treated as a pass-through expense.

[12] An example is, Te Rahui Solar Farm, a Meridian and Nova joint venture.

4.42 The review identified a common theme across EDB-initiated GXP projects: EDBs generally demonstrated a strong understanding of network constraints, reliability risks, security requirements, and the engineering solutions required to address them. The technical case for investment was often reasonably well developed and supported by network analysis.

4.43 However, the economic assessment supporting these investments was often less developed. Common gaps included limited quantified cost-benefit analysis, insufficient assessment of hybrid solutions, limited consideration of the economics of deferral, a lack of value-of-waiting analysis, limited sensitivity testing, and little evidence of independent economic review. In many cases, the focus appeared to be on identifying the technically appropriate solution rather than systematically demonstrating that it represented the most efficient option for consumers.

4.44 This distinction is important because a strong engineering justification does not necessarily demonstrate that an investment has been economically optimised. While an investment may be technically required, there may be alternative combinations of network and non-network solutions, staged investment pathways, or deferral opportunities that deliver similar outcomes at a lower cost. Without a robust economic assessment, there is limited assurance that the selected investment represents the best-value outcome for consumers or appropriately balances cost, risk, and service outcomes.

Lack of ex-post review

4.45 Post-implementation reviews are an important mechanism for testing whether investment decisions delivered the expected outcomes. They provide an opportunity to assess the accuracy of key assumptions, identify lessons for future projects, and strengthen accountability for investment decisions. For large and long-lived investments, they can also help improve forecasting, option assessment, and investment planning over time.

4.46 The review included only one GXP project that had been commissioned and delivered. There was limited evidence that a formal post-implementation review had been undertaken to assess whether the key assumptions underpinning the business case, particularly demand forecasts and investment drivers, had materialised as expected. This is despite the fact that we understand that some of the demand, albeit in the early stages, has not eventuated as forecast. Nor was there evidence of a broader lessons-learned process to identify opportunities to improve future planning, forecasting, option assessment, or investment decision-making.

4.47 The review also found that post-implementation reviews were generally not identified or committed to within the business cases for GXP projects still in the planning stage. As a result, there appeared to be limited mechanisms for systematically evaluating whether forecast benefits were achieved, whether investment timing was appropriate, and what insights could be applied to future investment decisions.

Chapter 5 Next Steps

5.1 The review identified concerns with the way EDB-initiated GXP investments are being assessed. We found there was limited evidence that alternative solutions, including flexibility and staged investment approaches, had been fully explored, assessed, and evaluated. There was also limited evidence demonstrating how consumer preferences and cost-benefit analysis had informed investment decisions and supported the conclusion that the proposed investments represented the most efficient and value-for-money outcomes for consumers.

5.2 While the review covered only a small sample of recent GXP proposals, and caution should be exercised in drawing broader conclusions, the findings raise questions about whether current industry practice and regulatory arrangements provide sufficient assurance that all credible options are being fully assessed before significant GXP investment proceeds. Based on the case studies reviewed, the Commission's view is that there is scope for improvement in the assessment and justification of major GXP investments.

5.3 The Commission considers there may be value in initiatives to promote greater consistency of approach and to lift capability across the sector. This could include the development of good-practice guidance covering the economic, engineering and commercial assessment of major network investments, including expectations regarding option assessment, consumer engagement, supporting analysis and documentation. Industry bodies such as the ENA and EEA may have a role in supporting the development and dissemination of such guidance.

5.4 The Commission's preliminary view is that additional regulatory measures may also be necessary to strengthen oversight and provide greater assurance that large-scale GXP investments are robustly justified before costs are passed on to consumers.

5.5 A range of options could be considered, spanning the regulatory spectrum:

5.5.1 At the lighter-touch end of the spectrum, options could include enhanced transparency requirements for business cases, more comprehensive disclosure of underlying assumptions and economic analysis, and independent review of major GXP proposals. Such measures could be incorporated into the Commission’s Information Disclosure regime to improve transparency and accountability.

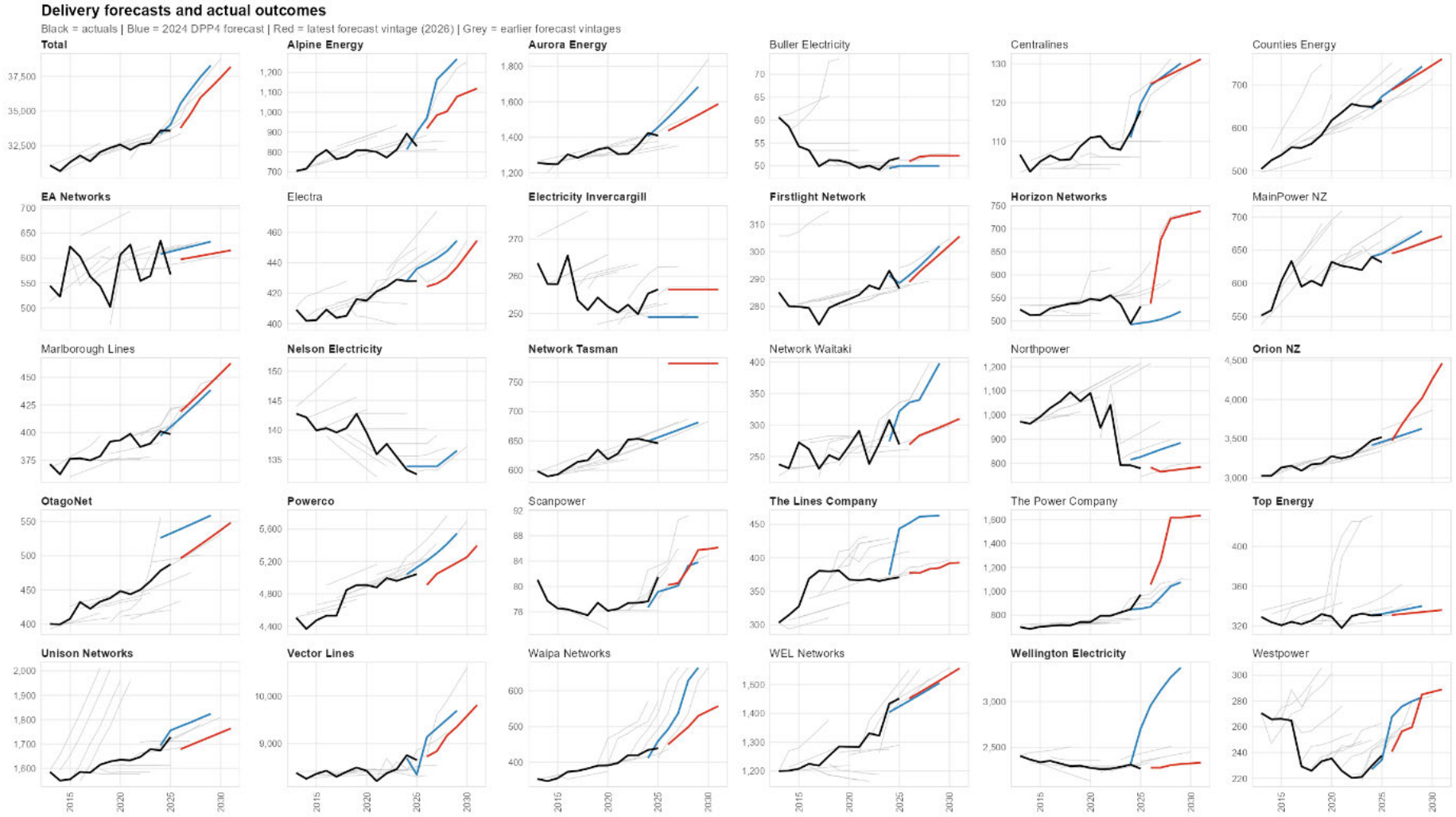
5.5.2 At the more interventionist end of the spectrum, we could consider a change to the rules that could include preventing, or placing conditions on, the ability of EDBs to pass through the costs of EDB-initiated GXP investments to consumers in cases where we identify significant concerns with the quality of the planning process or the robustness of the supporting business case.

5.6 The Commission seeks stakeholder feedback on both the issues identified through the review and whether these issues are representative of EDB-initiated GXP investments more broadly. The Commission also welcomes feedback on its early thinking on possible options to address the potential shortcomings identified.

5.7 Please see the 'Submissions on this paper' section in Chapter 1 for details on how to submit your views.

Appendix 1 EDB Demand Forecasting

Total Demand Forecasting



Peak Demand Forecasting

