Waikoukou
22 Boulcott Street
PO Box 1021
Wellington 6140
New Zealand

P 64 4 495 7000
www.transpower.co.nz

Commerce Commission
Wellington

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By email: infrastructure.regulation@comcom.govt.nz

Treatment of government grants and other regulated income

Transpower welcomes the opportunity to submit on the Commerce Commission's draft decision on amendments to the Input Methodologies (IMs) relating to government grants and other regulated income, published on 11 June 2026.

We agree with the Commission's assessment that, under the status quo, government grant funding would be treated as other regulated income, and expenditure on grant-funded projects would be subject to IRIS penalties where that expenditure has not been included in the opex allowance.

However, Transpower's capex incentive arrangements differ from the opex IRIS mechanism discussed in the consultation paper. Transpower is subject to a specific capex incentive mechanism, which applies to capital expenditure rather than to commissioned expenditure. It is not clear whether the Commission has considered how the proposed amendments would apply to Transpower's capex incentive arrangements. We encourage the Commission to review this point to ensure that government grants relating to capex do not give rise to unintended incentive penalties. The Commission's previous consideration of the treatment of insurance entitlements for Transpower may provide a useful precedent for considering this issue.[1]

More generally, we support the Commission's use of targeted, out-of-cycle amendment processes to address issue-specific matters and improve the effective operation of the IMs framework.

Yours sincerely

Joel Cook
Head of Strategy and Regulation

[1] Final-decision-reasons-paper-IM-Amendments-treatment-of-insurance-entitlements-11-December-2024.pdf, see pages 17–18.