

5 March 2026

Matthew Clark  
Manager, Transpower and Gas  
Commerce Commission  
PO Box 2351  
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Sent via email: [regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)

Dear Matthew

## Upper South Island Stage 1 major capex project

1. The Major Electricity Users' Group (MEUG) welcomes the opportunity to provide feedback on the Commerce Commission's (Commission) draft decision reasons paper "*Transpower's Upper South Island (USI) major capex project proposal*"<sup>1</sup> published on 18 December 2025.
2. This cross-submission does not contain any confidential information and can be published on the Commission's website unaltered. Members may lodge separate responses.

### Supportive of USI project proceeding

3. MEUG supports the Commission's decision to approve Transpower's Upper South Island Stage 1 major capital project (USI Stage 1 MCP) proposal. We acknowledge the need to address population-driven and business-specific<sup>2</sup> demand growth in the region which is leading to transmission capacity and voltage stability issues. MEUG has reviewed the reasons paper and agree with the Commission's draft decisions to:
  - Set a major capex allowance of \$200.0 million, comprised of \$193.0 million for transmission asset investments and \$7.0 million (\$ 2025) for a development non-transmission solution (NTS). We support Transpower's commitment to pursue NTS options where possible to help defer the timing of these large projects. We welcome further information on how Transpower is progressing these NTS options, for both this project and in the Western Bay of Plenty project.<sup>3</sup>
  - Treat the capital cost contingency risk component and the development NTS recoverable cost component, as exempt major capex, equal to \$13.7 million.
  - Set a reduced major capex incentive rate of 7.5% that will apply to all major capex that is not exempt major capex. Based on the information presented in the reasons paper and submissions by local stakeholders, we agree that Transpower has not sufficiently demonstrated reliable processes to justify the default incentive rate of 15%.

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<sup>1</sup> <https://www.comcom.govt.nz/assets/Documents/upper-south-island-mcp/Transpowers-Upper-South-Island-MCP-Draft-decision-reasons-paper-18-December-2025.pdf>

<sup>2</sup> Transpower refers to these as "step load increases" and discusses Fonterra's (a member of MEUG's) plans to electrify their process load.

<sup>3</sup> As noted in the [IEGA](#) submission, 17 February 2026.

## Support for points raised by other submitters on USI project

4. MEUG support's Orion's<sup>4</sup> commentary around demand forecasting and how variations in the forecasts applied can have a significant impact on the timing of the project. We agree with their recommendation that:

*"...as a condition of project approval, that Transpower be required to monitor USI demand growth and provide regular updates to stakeholders on the impact of actual USI demand outturn on project timing, as well as on progress on securing an NTS. This could be achieved by a supplementary information disclosure requirement, or similar."<sup>5</sup>*

5. This type of information would be useful insight for all stakeholders in the region and would certainly be a helpful addition for the other major capex projects that Transpower is implementing and developing across New Zealand.
6. Orion's comments around the Transmission Pricing Methodology (TPM) and pricing echo the concerns felt by many stakeholders, including MEUG. Orion states that:

*"The Transmission Pricing Methodology (TPM) is an esoteric document, and we do not have the internal capability and resources to review Transpower's estimates without engaging specialists to assist. We note that Transpower has advised that the TPM requires it to consult on the starting allocations, and it will do so after the MCP is approved by the Commission, and if Transpower decides to proceed with the investment. We may seek expert advice on the pricing impacts at that time."<sup>6</sup>*

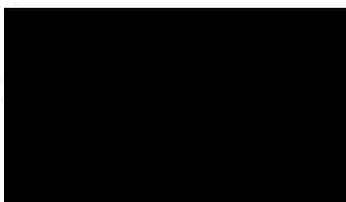
MEUG and our members also find it difficult to analyse the TPM calculations for MCPs that lead through to the indicative transmission charges for businesses. We believe there is a lack of transparency around how charges are being set, how groups of customers are determined as beneficiaries, and how a large volume of the costs remain smeared across residual charges. The TPM is clearly failing to meet its expectations and is something that should be considered by the broader sector as greater investment is planned for the transmission grid.

7. We agree with the concerns raised by the Independent Electricity Generators Association (IEGA) regarding the need for Transpower to have to seek "an MCP outputs amendment for additional NTS funding".<sup>7</sup> We would not want to see additional process and uncertainty detract Transpower from seeking further NTS options for the network. We encourage the Commission to monitor this aspect of the MCP process to understand any unintended barriers that this could cause.

## Next steps

8. If you have any questions regarding our submission, please contact MEUG on [REDACTED] or via email at [REDACTED].

Yours sincerely



**Karen Boyes**  
Major Electricity Users' Group

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<sup>4</sup> [Orion submission](#), 17 February 2026.

<sup>5</sup> Paragraph 12 of Orion's submission.

<sup>6</sup> Paragraph 44 of Orion's submission.

<sup>7</sup> Page 1 of [IEGA](#) submission.