Pipes & Wires

Thought leadership of critical energy & infrastructure matters
Issue 237 – April 2026

From the editor's desk…

Welcome to Pipes & Wires #237 …. this issue starts with a look at several regulatory decisions in Australia, New Zealand and Britain. It then examines the proposed formation of a stand-alone transmission grid in South Africa and the sale of UK Power Networks, before examining some options for transmission grid capacity increases in New Zealand. We then conclude with a look at Britain's second new nuclear power station at Sizewell C.

So … until next time, happy reading…

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Significant client projects

Recent client projects include…

Transaction advisory ($12b and counting)

- Forecasting AugEx, RepEx and OpEx, advising on likely revenue cap implications.
- Identifying strategic, commercial and regulatory red-flags.
- Translating demand forecasts into AugEx.
- Reviewing procurement models and processes.

Climate governance and resilience

- Identifying the governance, strategy and risk programs required to align with TCFD.
- Compiling a client resilience framework for an electric distribution company.

Asset strategy and asset management practices

- Assessing the strength of an EDB's organizational culture, work process and asset management practices.
- Compiling a road map to guide an EDB on its asset management improvement journey.
- Identifying a range of structural and service delivery models for an electric company.
- Identifying best customer engagement practices on

Decarbonisation and energy transition

- Estimating the costs of DERMS (distributed energy resource management system) penetration for distribution feeders for a large US electric company.
- Identifying leading practices in behind-the-meter activities (eg. batteries, solar, smart data, VPP's etc) for a large US electric company.
- Identifying best Australian practices in EV charging for a large US electric company.
- Identifying key features of demand management in the Australian NEM for a large US electric company.
- Identifying best practices in grid-scale and community-scale batteries for an Australian distributor.
- Identifying best practices in EV charging on behalf of an Australian distributor.

Global trend and pattern analysis

- Identifying the global and regional trends facing transmission grid operators for a US client.

Regulatory analysis

- Reviewing the AER's recent treatment of network

behalf of an Australian distributor.

- Providing an independent assessment of network condition and spend adequacy.
- Providing an independent review of asset condition and spend forecasts for a distribution company investor.
- transformation expenditure.
- Advising on the regulatory implications of an aging timber transmission pole fleet.
- Identifying the learnings from the RIIO – ED1 reset on behalf of an Australian distributor.

Cool multimedia stuff

This cool 14 minute video clip describes how 3 phase electricity works, and includes a useful discussion of why the industry settled on 3 phases and not 6 or 12. Could be useful for teaching kids about electricity…

Network regulatory decisions

Aus – the Directlink electricity transmission final decision

Introduction

The Australian Energy Regulator (AER) recently published its final decision for Directlink for the 5 year control period commencing on 1st July 2025. This (slightly late) article compares the proposals and the AER's decisions.

A bit about the Directlink

Directlink is an 180MW HVDC interconnector stretching 63km between Bungalora and Mullumbimby in the Australian state of New South Wales. Directlink connects to the Queensland 110kV grid (which overlaps into northern NSW) at Bungalora, and to the NSW 132kV grid at Mullumbimby. Directlink is jointly owned by MM Midstream Investments, Osaka Gas Energy Oceania and APA Group.

Directlink began life as an unregulated market service in April 2000, but became a regulated network service in March 2006.

Regulatory framework

The basis of the regulatory framework is Chapter 6a of the National Electricity Rules, which is made pursuant to the National Electricity Law.

Key features of the process to date

Key features of the Directlink process to date include…

Parameter	Proposal	Draft Decision	Revised Proposal	Final Decision
CapEx	$33.8m	$18.8m	$31.5m	$20.2m
OpEx	$39.5m	$33.5m	$34.2m	$34.2m
Opening RAB	$164.5	$163.1m	$160.8m	$160.5m
Depreciation	$37.7m	$34.5m	$32.5m	$35.2m
Smoothed revenue	$138.4m	$123.8m	$117.4m	$127.5m

This concludes Pipes & Wires analysis of the Directlink revenue reset.

NZ – reopening the Transpower IPP

Introduction

New Zealand's electricity transmission grid Transpower is currently subject to an Individual Price Path to regulate its revenue and performance, commonly referred to as the Regulatory Control Period 4 (RCP4) that commenced on 1st April 2025. This article examines the deliverability reopener mechanism that was included in the Commerce Commission's final RCP4 decision.

Regulatory framework

The regulatory framework for an IPP is set out in Subpart 7 of Part 4 of the Commerce Act 1986, and allows the Commission freedom to set that price-quality path in any way it thinks fit subject to (i) using the applicable Input Methodologies, and (ii) applying ss 53M, 53N and 53ZB of the Act.

The deliverability reopener

The Commission's final decision includes a Delivery Risk Adjustment feature, which essentially allows Transpower to add specified increases to the OpEx and to the Base CapEx if it attains or exceeds a specified number of full-time employees. The inclusion of this feature was based on observations early in the revenue setting process that Transpower was forecasting a significant increase in employee numbers to deliver the proposed work.

The Commission's decision

In December 2025 the Commission published the Transpower Individual Price-Quality Path (Delivery Risk Adjustment) Amendment Determination 2025 which…

- Amends the previous Transpower Individual Price-Quality Path (Delivery Risk Adjustment) Determination 2025
- Sets out the amended revenue forecasts, Base CapEx forecasts and OpEx forecasts applicable to Years 2 to 5 of the RCP4 (FY27, FY28, FY29 and FY30).

Further reading

Readers may be interested in the following articles…

- NZ - Transpower submits regulatory proposal for new HVDC cables (PW 235).
- NZ – the final Transpower revenue decisions (PW 229).
- NZ – setting the Transpower revenue control (PW227).

Britain – the final RIIO – 3 gas decisions

Introduction

Britain's gas transmission business and the 4 gas distribution businesses were subject to the RIIO – 2 revenue control which expired on 31st March 2026 (the same as the RIIO – 2 revenue control that applied to the 3 electricity transmission businesses that featured in PW 233). This article examines the final decisions for RIIO – GT3 and RIIO – GD3 that will apply from 1st April 2026.

The gas businesses

The 5 gas businesses are…

- National Gas Transmission – bulk supply through 5,000 miles of pipelines and 21 compressor stations to the distribution companies.
- Cadent Gas – supplies 11,000,000 customers throughout the North West, West Midlands, East Midlands, East England and North London.
- Northern Gas Networks – supplies 2,900,000 customers throughout the North of England.
- SGN – supplies 5,900,000 customers across the South of England, and across Scotland.
- Wales and West Utilities - supplies 7,500,000 customers across Wales and the South-West of England

Key features of the RIIO – GT3 final decision

Key features of the RIIO – GT3 final decision include…

- Setting a Baseline TotEx of £3.2b, which is £900m less than National Gas' business plan.
- Anticipating a further £1.5b of requested funding through re-openers as detailed planning progresses through the RIIO – GT3 period.
- Reiterating the absolute priority of a resilient and safe national transmission system, including £930m for replacement or refurbishment of aging assets. This funding will include a mechanism to ensure that the funds are either spent or returned to customers.
- Funding of £600m to reduce gas leakage, including compressor upgrades and replacements.

- Access to portions of a £500m strategic innovation fund to support innovations that contribute to nett-zero.

Key features of the RIIO – GD3 final decisions

Key features of the RIIO – GD3 final decisions include…

- Allowing £6.5b for RepEx (£600m more than the draft decisions), and a further £8.1b for additional work to ensure secure and reliable supply. This £14.6b is £2.5b less than the 4 business plans total.
- Flexibility to re-open the final decisions as detailed planning and costing emerge.
- Allowing accelerated depreciation during RIIO – GD3.
- Reiterating the draft decisions view that although the pace and scale of the transition away from gas is uncertain, Ofgem does not anticipate large, systemic changes during the RIIO – 3 period.
- An expectation that RIIO – GD3 will be the last steady-state revenue control, in part because the Iron Mains Risk Reduction Program is largely complete.
- An expectation that the current uncertainties about the role of piped gas will be clearer for the next revenue control period beginning on 1st April 2031, including an expectation of declining customer numbers.

Further reading

Readers may be interested in the following articles…

- Britain – the RIIO 3 revenue control.
- Britain – the RIIO ED3 revenue control.
- Britain – the final PR24 water revenue decisions.

NZ – resetting the DPP4 for the Tasman – Nelson merger

Introduction

Following on from Pipes & Wires #236, this article briefly recaps the recent merger between Network Tasman and Nelson Electricity and then looks at the Commerce Commission's final decision on how the default price-quality paths (DPP's) applying to Network Tasman and Nelson Electricity will be merged into a single DPP applying to the enlarged Network Tasman.

The merger

Network Tasman purchased Marlborough Lines' 50% stake in Nelson Electricity in March 2025 for $27m. This will give Network Tasman a consolidated network footprint throughout the entire Nelson and Tasman region, providing electricity line services to about 53,500 customers.

The draft and final DPP decisions

In accordance with the IM's, the Commerce Commission has considered Network Tasman's request to amalgamate the DPP's and calculated the following draft and final decisions ie. no changes from the draft decision…

Parameter (for the DPP4 period)	Draft decision	Final decision
Aggregated CapEx	$112.870m	$112.870m
Aggregated OpEx	$106.398m	$106.398m
Aggregated Planned SAIDI	901.41	901.41
Aggregated Unplanned SAIDI	82.31	82.31
Aggregated Planned SAIFI	4.0065	4.0065
Aggregated Unplanned SAIFI	1.0062	1.0062

This concludes Pipes & Wires coverage.

Industry reshuffling and capital allocation

South Africa – establishing a stand-alone transmission company

Introduction

Pipes & Wires has been following the proposed unbundling of the vertically-integrated Eskom, and previously noted two options for transmission grid separation. This article examines the recent statement that a stand-alone transmission grid company will be established as a State-Owned Corporation.

The options for unbundling transmission

The following options for unbundling transmission have been considered…

- Full unbundling and establishment as a separate State-Owned Corporation, albeit with an intermediate step of forming separate generation, transmission and distribution companies within Eskom Holdings. This was announced in the State Of The Nation address in February 2019, and was expected to take 5 years, with priority being given to establishing a stand-alone transmission company first.

- A revised unbundling strategy that was approved by Electricity Minister Ramokgopa in December 2025 would see Eskom unbundled into generation, transmission, distribution and renewable energy subsidiaries with a single holding company being the end state. Apparent reasons for retaining within a single holding company are to better facilitate a competitive electricity market, and to allow each division to better manage their debt. This retreat from the proposed full unbundling prompted rapid observations that potential conflicts will emerge with all subsidiaries reporting to the same board, and a reduced ability to attract investment capital for major initiatives such as the Just Energy Transition and the building of new transmission lines.

The latest events

In his State Of The Nation Address on 12th February 2026, President Cyril Ramaphosa directed that a fully independent transmission grid company be established.

Pipes & Wires will provide further commentary as news emerges.

Britain – ENGIE to buy UK Power Networks

Introduction

News recently emerged that Cheung Kong Group has agreed to sell its English electricity distribution business UK Power Networks to ENGIE. This article examines that acquisition.

A bit about UK Power Networks

UK Power Networks supplies electricity line services to about 8,500,000 customers across the former London Electricity Board, Eastern Electricity Board and SEEBoard areas of south-east England through about 191,000km of lines and cables. Annual revenue is about £1.76b, and operating income is about £614m.

UK Power Networks has previously been owned by TXU and Entergy (before the separate entities were merged), then by EDF, and currently by CK Group.

A bit about ENGIE

ENGIE had its origins in Belgium over 200 years ago, and grew steadily throughout the 19th Century to include the Suez Canal Company and electricity concessions in Belgium. Its current form began to emerge with the establishment of Gaz de France in 1946 and the merger to form GDF Suez in 2008.

The company rebranded as ENGIE in 2015, and now describes itself as a major player in all segments of the energy transition in 30 countries.

The proposed deal

ENGIE will pay £10.5b for UK Power Networks' equity. Key transaction multiples are…

- EBITDA multiple - about 10x.
- RAV multiple – about 1.5x.

ENGIE expects to finance the acquisition as follows…

- About £5b of debt and hybrid issuances.
- About £4b of asset sales through to 2028.

- About £3b in new equity.

ENGIE's strategy

ENGIE's strategy includes ambitious decarbonisation goals that recognises gas as an essential part of the energy transition. Key features include…

- Ramping up renewable gases including green hydrogen.
- Flexible electricity assets including gas-fired generation, pumped storage and batteries.
- Accelerating wind generation investment.
- Secure infrastructure for delivering energy.

The UK Power Networks acquisition has a deliberate focus on capturing regulated earnings growth from EV's and data centers, and diversifying its core business of gas networks.

Engineering & technology

NZ – options for supplying Queenstown

Introduction

This article examines the recent collaborative approach to identifying the best option for relieving the transmission capacity constraint into the Queenstown area. In addition to being a great example of optioneering it also brings back some very fond childhood (and adult) memories of holidays in Central Otago.

The capacity constraint

Demand forecasting concluded that the existing 110kV transmission grid supplying the Queenstown area could reach capacity by 2032. In 2023 Transpower, PowerNet and Aurora Energy established the Energising Queenstown project to jointly understand the scope of the constraint and identify the best option for long-term supply.

Options considered

After considering a long-list of options, Energising Queenstown identified the following 4 short-list options for detailed consideration…

Option	Description	Approx. cost	Remarks
1	A new single circuit 110kV line from Cromwell to a new GXP at Arrow Junction.	Between $122m and $204m.	Increase capacity into Queenstown from 108MW to 240MW. Further capacity upgrade may be required around 2045, making the total cost of Option 1 higher than Option 2 and possibly also higher than Option 3.
2	A new double circuit 110kV line from Cromwell to a new GXP at Arrow Junction.	Between $134m and $225m.	Increase capacity into Queenstown from 108MW to 300MW. The existing Cromwell GXP would also need some capacity increase.
3	A new double circuit 220kV line from Cromwell to a new GXP at Arrow Junction.	Between $154m and $255m.	Increase capacity into Queenstown from 108MW to 480MW (when operated at 220kV). The existing Cromwell GXP would also need some capacity increase.
4	A new double circuit 110kV line from Roxburgh to a new GXP at Jacks Point.	Between $270m and $460m.	Increase capacity into Queenstown from 108MW to 300MW. The existing Roxburgh GXP would also need some capacity increase.

The long-list analysis revealed that whilst a scenario of strong solar and battery growth might usefully defer transmission reinforcement by 2 to 4 years, it was unlikely to indefinitely defer the need for transmission reinforcement.

The preferred option

After further analysis, Option 2 was announced as the preferred option in January 2026.

Energy mix and grid security

Britain – progress on Sizewell C

Introduction

Pipes & Wires #233 noted the Government's £17.8b commitment to the Sizewell C nuclear power station as it searched for other investors. This article quickly recaps Sizewell C's key features, and checks up on recent progress.

An overview of Sizewell C

Sizewell C will be 3,200 MW station comprising 2 European Power Reactors (EPR's) at the existing Sizewell site in Suffolk. Completion is expected sometime about 2036, at an expected cost of between £20b and £30b. Significant learnings from the near-identical Hinkley Point C are expected.

Progress since July 2025

Recent work has focused on building the site services including a dedicated rail head with 3 sidings (with the aim of reducing road traffic) in parallel with preparatory ground work. Over 2,000 people are already working in and around the site, which is expected to increase to 8,000 people at the peak of construction.

Next steps

Next steps include further transport infrastructure, which is a whole major program in itself … a new bus depot at Ipswich, a 1,250 space park and ride facility accompanied by 150 buses and a rail junction upgrade at Saxmundham.

Further reading

Readers may be interested in the following…

- Pipes & Wires #233 – Britain approving Sizewell C.
- Pipes & Wires #231 – Britain progress on Hinkley Point C.
- Pipes & Wires #228 – Britain planning the third nuclear station.
- Pipes & Wires #220 – Germany closing the last three nuclear stations.
- Pipes & Wires #213 – France proposed new nuclear stations.
- Pipes & Wires #194 – UK progress slows on Hinkley Point C.
- Pipes & wires #172 – Sweden progress on the return to nuclear.
- Pipes & Wires #37 – UK nuclear may have a future after all.

General stuff

Guide to NZ electricity laws

I've compiled a "wall chart" setting out the relationship between various past and present electricity Acts, Regulations, Codes etc in sort of a chronological progression. To request your free copy, pick here. It looks really cool printed in color as an A2 or A1 size.

A bit of light-hearted humor

What if price control had been around in the 1920's and 1930's ? A collection of classic historical photo's with humorous captions looks at some of the salient features of price control. Pick here to download.

Extending the above, a second collection of classic historical photo's with humorous captions looks at some topical issues of regulating emerging technologies. Pick here to download.

A potted history of electricity transmission

I've recently compiled a potted history of electricity transmission. Pick here to download.

Wanted – old electricity history books

Now that I seem to have scrounged pretty much every book on the history of electricity in New Zealand, I'm keen to obtain historical book, journals and pamphlets from other countries. So if anyone has any unwanted documents, please email me.

House-keeping stuff

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