



# MAJOR ELECTRICITY USERS' GROUP

11 June 2007

Dr Ralph Craven  
Chief Executive  
Transpower New Zealand Limited  
By email to [ralph.craven@transpower.co.nz](mailto:ralph.craven@transpower.co.nz)

Dear Ralph

## Request for information on Otahuhu Substation GUP

1. The Major Electricity Users' Group today requested the Electricity Commission conduct a conference in relation to the Otahuhu Substation GUP. A copy of that letter is attached.
2. To assist in preparing for a conference MEUG request from Transpower the following:
  - a) The Commission decision of 25<sup>th</sup> May refers to Transpower estimates of the cost of the 12<sup>th</sup> June 2006 Otahuhu substation outage of \$100m (p 26 of the decision) and \$50m to \$100m (p31). Please provide details of how these estimates were derived.

The GIT specifies a point estimate for un-served energy and upper and lower ranges for sensitivity analysis. MEUG is also aware that there is literature suggesting that for prolonged events such as the 12<sup>th</sup> June 2006 outage, the value of un-served energy decreases over time. MEUG is interested to know if Transpower have considered this possibility.

- b) MEUG agree some capital investment at Otahuhu substation is needed. MEUG also believe continuous improvement in preventative maintenance and improvements in the Benchmark Agreement to create better incentives for Transpower will lead to sustained improvements in reliability. These non capital work drivers to improve reliability were not considered in the GUP. Do you think that over time they might make a material difference to reliability?
    - c) An electronic copy of the spreadsheet(s) that underlie the results in tables 7.1 and 7.2 of the Transpower report titled "Otahuhu Substation Diversity Project Proposal – Attachment B, Revision 2, Economic Assessment application of the Grid Investment Test," December 2006).
3. This letter will be published on the MEUG website.

Yours sincerely

Ralph Matthes  
Executive Director

cc Electricity Commission