



MAJOR ELECTRICITY USERS' GROUP

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220 kV preferred over 400 kV line

"The announcement today by the Electricity Commission to approve a new 400 kV transmission line between Whakamaru and South Auckland instead of a new 220 kV line is very controversial and may yet be overturned in the resource consent phase," said Ralph Matthes, Executive Director of Major Electricity Users' Group (MEUG).

"There was never any doubt that new transmission lines would be needed for Auckland eventually. The questions were always what size of line and when?

"In the early stages of considering transmission upgrade options into Auckland MEUG kept an open view as to the best option. As the details of the options became clearer MEUG submitted to the Commission a preference for a 220 kV line rather than the 400 kV line proposed by Transpower.

"The reasons for MEUG preferring a 220 kV line include:

- Only 220 kV is needed for at least the next 2 and possibly 3 decades. This is confirmed by the fact that the 400 kV line will for the initial 20 to 30 years only be used at 220 kV. Only after that date, and only if needed, will the line be enlivened to 400 kV. There is a possibility that the 400 kV line will never actually be used at 400 kV.
- From the date the 400 kV line is commissioned in 2011 consumers will begin paying for it. It seems unreasonable that consumers will for at least 20 to 30 years be required to pay for the 400 kV line even though it will only be used at 220 kV. The additional cost of the 400 kV line compared to the 200 kV line has been estimated by the Commission to be 11% higherⁱ until at least 2040ⁱⁱ.
- The Commission base case used forecast electricity demands for Auckland for the next 30 years prepared in 2005. If the Commission had for the base case used more recent forecasts that the Commission itself has prepared (in 2007) that predict a lower rate of demand growth, then the best option would clearly have been the 220 kV option.

MEUG agree with the revised demand forecasts prepared by the Commission in 2007 and we do not understand why the Commission hasn't used the more recent forecasts itself.

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- A critical assumption the majority decision of the Commission relied upon to justify the 400 kV line was that there would be little or no new thermal generation built in Auckland over the next 30 to 40 years. MEUG disagree. We expect commitments to build the proposed Otahuhu C (Contact Energy) and Rodney (Genesis Energy) power stations will be made within the next decade – if that happens then the need for new large transmission lines into Auckland can be deferred for several years.

With so much reliance now on transmission lines to supply Auckland power, the best option to improve security into Auckland is to diversify supply and to have more thermal generation closer to load. The assumption by the majority of Commissioners that future Auckland electricity demand growth will for the next 30 to 40 years rely solely on imported power is heroic.

- MEUG is sceptical that a single 400 kV line will be sufficient to meet the Grid Reliability Standards set by the Commission as most high voltage lines in New Zealand are duplicated in case one failsⁱⁱⁱ. A majority of Commissioners agreed with the analysis by Transpower that a single line would be sufficient.
- The environmental footprint for a 220 kV line is considerably less than that of the 400 kV line.

“Subject to there being no attempt by Government to tilt the consenting process in favour of the 400 kV option, MEUG is confident the consenting process will provide an opportunity for the merits of the more environmentally benign 220 kV line compared to the 400 kV line to be considered,” concluded Mr Matthes.

ⁱ Refer Electricity Commission, *Final decision on Transpower's North Island Grid Upgrade Proposal*, paragraph 8.4.2, 5 July 2007

ⁱⁱ Note MEUG has frequently raised with the Commission the question of who should pay for the not to be exceeded approved cost (in \$2011) of \$824m. The first invoices for the 400 kV line will be sent to the relevant Transpower customers in 2011. The invoices will be calculated using the Transmission Pricing Methodology (TPM) as at that date. The Commission has indicated a willingness to evolve the TPM from the current regime whereby every consumer in NZ will pay for the 400 kV line if it were invoiced now, to a TPM with greater locational pricing signals. Therefore the parties that benefit from this investment will pay for it, eg consumers in Auckland and or investors in additional generation around Whakamaru seeking new transmission line capacity to export to Auckland. There is, in the view of MEUG, sufficient time between now and 2011 to make those changes to the TPM.

ⁱⁱⁱ Note the largest transmission lines in NZ currently are 220 kV.