



MAJOR ELECTRICITY USERS' GROUP

26 November 2010

Mr Andrew Smaill
Economic and Approvals
Grid Development
Transpower
By email to gridinvestmentprojects@transpower.co.nz

Dear Andrew

Bunnythorpe Haywards A and B transmission line investigation

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Transpower consultation document "Bunnythorpe Haywards A and B Transmission Line Investigation: Assumptions, Approach and Long List Options", published October 2010¹. We recognise the importance of this section of the grid and the need to commence this investigation.
2. The consultation paper notes that this is the first leg of a wider lower North Island investigation. More clarity is needed on how the two investigations are to be integrated to ensure decisions taken on BPE-HAY A and B do not preclude better solutions for the lower North Island as a whole.
3. MEUG submit:
 - a) There is considerable uncertainty on the prudent peak demand forecasts in Appendix D beyond the next few years because of uncertainties in how smart grid, smart meter, smart pricing and smart behaviour might affect demand patterns. One thing is for sure, peak demand growth patterns are likely to be dampened compared to growth in the past. We just don't know how or to what extent.
 - b) It is insufficient for Transpower to use this consultation process to identify possible transmission alternatives. This point is expanded on in the balance of this submission.
4. Section 6.2 of the consultation paper lists demand-side alternatives that could be in the long-list of options. The concluding paragraph notes:

¹ Refer <http://www.gridnewzealand.co.nz/f4019,39345341/bpe-hay-long-list-consultation.PDF>

“At this stage, we are not aware of any such projects (ie demand-side alternatives) and cannot include them as options unless proponents of such projects bring them to our attention. The intention of the RFI below is to bring forward information about such potential projects.”

5. A request for information (RFI) for alternative projects is then set out in Section 6.3.
6. MEUG do not believe this RFI is an effective way to uncover potential demand-side alternatives. In comparison generators will provide new or updated information because that is their core business. Transpower will be able to list and cost transmission options.
7. Demand-side alternatives are more difficult to uncover because it is not the core business of most enterprises and they are often site-specific opportunities. This isn't to say they are more costly than transmission solutions; just they need more work to uncover. MEUG recommend Transpower commission a consultant to identify and interview likely businesses that may have the capability to supply demand side response as a transmission alternative. This work would also be valuable for the wider lower North Island investigation.
8. Transpower has had experience with demand-side alternatives with the upper South Island demand side participation trial in 2007 and 2008 resulting in Grid Support Contracts. More recently Transpower has and is entering into contracts with demand side alternatives as an insurance should there be delays or unexpected problems with grid upgrades around Auckland. From that work we believe Transpower can take an initial view on a range of likely demand side participation to be tested in scenarios. That prior experience demonstrates that there are likely to be demand side options to consider following a more targeted investigation.
9. The investment cost bracket assumed as a result of this investigation is between \$20 and \$50 million. For projects of this magnitude we would expect Transpower to conduct a more targeted investigation of demand-side alternatives than the RFI in section 6.3. A deferment of one year for this project would have the potential to save between \$1.4million and \$3.5million based on Transpower's post tax WACC which would justify a more pro-active investigation of alternatives that could achieve this.
- 10.

Yours sincerely



Ralph Matthes
Executive Director