



# MAJOR ELECTRICITY USERS' GROUP

18 October 2013

Steve Haultain  
Transpower

By email to [gridinvestmentprojects@transpower.co.nz](mailto:gridinvestmentprojects@transpower.co.nz)

Dear Steve

## **Bunnythorpe–Haywards Conductor Replacement**

1. This is a submission by the Major Electricity Users' Group (MEUG) on Transpower's paper<sup>1</sup> "Bunnythorpe-Haywards conductor replacement, Draft Major Capex Proposal for consultation" dated September 2013.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
3. MEUG welcomes the inclusion of the indicative effect on transmission charges in section 7.4 of the paper. MEUG has long been asking for this information because it allows individual end customers to gauge the impact on their business or household.
4. Responses to questions in the consultation paper follow:

Question	MEUG response
1. Do you consider the short list of options to be reasonable?	Yes.
2. Is our application of the Investment Test reasonable?	The variables to be considered in the quantitative analysis are reasonable. MEUG will rely on the Commerce Commission to assess the reasonableness of the costs. SPPD is a well known model and MEUG agrees that is a good tool to estimate system benefits. Use of Transpower's 2013 Annual Planning Report demand forecasts and more recent information on generation projects instead of the 2010 Statement of Opportunities (SoO) for updated Market Development Scenarios (MDS) <sup>2</sup> is reasonable.

<sup>1</sup> [https://www.transpower.co.nz/sites/default/files/uncontrolled\\_docs/BPE-HAY%20Investment%20ProposalFINAL.pdf](https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/BPE-HAY%20Investment%20ProposalFINAL.pdf)  
found at <https://www.transpower.co.nz/projects/bunnythorpe-haywards-and-b-transmission-line-investigation/bunnythorpe-haywards-and-b-0>

<sup>2</sup> Attachment E, section 2.1

Question	MEUG response
	<p>MEUG is unsure about including qualitative assessments for “consumer benefits through enhanced competition”. This claimed benefit will always favour larger capacity lines. Isn't there a risk of double counting the effect on expected energy market SRMC through quantified estimated savings in losses and this qualitative factor?</p> <p>MEUG does not believe “aligns long term grid development” should be a qualitative factor to compare options. It's how each option might change the total delivered benefits of lower losses and improved system security that count; that may or may not align with Transpower's commercial objectives.</p>
<p>3. Is our conductor replacement proposal reasonably robust to sensitivities?</p>	<p>Yes given the likely imprecision of forecasting benefits and costs.</p>
<p>4. Overall, is our conductor replacement proposal reasonable?</p>	<p>Yes on the proviso the Commission is satisfied with the process to estimate costs as noted in response to question 2 above.</p> <p>Referring to the \$3m trial for conductor types and technologies, Transpower have stated<sup>3</sup></p> <p>“Our submission to the Commerce Commission for Regulatory Control Period 2, due later this year, will fully describe our future plans for innovation, including the investigation of new conductor types, however we are seeking approval for these works now to ensure the work can be specifically integrated into this project.”</p> <p>This is very important. An outcome we wish to avoid is that Transpower will implement new conductor types and technologies and be rewarded for such innovation under the IPP to be reset from 1<sup>st</sup> April 2015 even though the risk of proving those options was borne fully by customers under this proposal.</p>

5. We look forward to viewing the submissions of other parties and the final application by Transpower to the Commission.

Yours sincerely



Ralph Matthes  
Executive Director

<sup>3</sup> Attachment C, section 3.2.6, p9