



MAJOR ELECTRICITY USERS' GROUP

22 October 2013

Hunter Humphries
Transpower

By email to gridinvestmentprojects@transpower.co.nz

Dear Hunter

Clutha Upper Waitaki Lines Project Review 2013

1. This is a submission by the Major Electricity Users' Group (MEUG) on Transpower's paper¹, "Clutha Upper Waitaki Lines Project² Review 2013 – consultation on our assumptions", dated September 2013.
2. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
3. Transpower's decision in 2011 to defer work on the three economic (ie not needed for reliability) aspects of the approved GUP were consistent with ensuring good long term outcomes for customers. This review, promised when the deferral was announced, is premature given uncertainty in key issues. Deferment of a review until 2017 when more certainty is expected would be our preferred approach rather than spend resources now on a review.
4. We see little downside to a further deferment given the economic benefit of any interim investment will be to the private benefit of Meridian Energy and there are no barriers to that company contracting directly with Transpower to under-write any or all of these stages.
5. Responses to questions in the consultation paper follow:

Question	MEUG response
1. Is the scope of the review reasonable?	Yes.

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https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/LSI%20Renewables%20CUWLP%20Review%20Consultation%20Document_Final.pdf found at <https://www.transpower.co.nz/projects/clutha-upper-waitaki-lines-project/clutha-upper-waitaki-lines-project-consultation>

² Abbreviated CUWLP

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Question	MEUG response
2. Is our approach to calculating costs and benefits reasonable?	<p>MEUG agrees with the pragmatic view to not now consider lower cost dispatch of generation as a potential benefit.</p> <p>Use of SDDP to assess market dispatch benefits is a common approach. Understanding sensitivities to key assumptions will be important.</p>
3. Are our assumptions about demand growth reasonable?	<p>Use of the latest Transpower forecasts for the Annual Planning report is reasonable.</p>
4. Do our assumptions about Tiwai present a reasonable range of outcomes?	<p>The proposed scenarios are appropriate though not comprehensive. Just as complete closure is a possibility, so too over the life of the analysis is the possibility of restoration of demand to pre-GFC expected levels of 634 MW.</p>
5. Have we listed all the likely new generation in the lower South Island? Please provide any amendments if you do not agree.	<p>MEUG has no additional information on the generation options listed.</p>
6. Are our market development scenarios reasonable?	<p>Yes provided first, an allowance for a pre-GFC high Tiwai demand option is included as we suggest in response to question 4 above. This could be MDS medium renewable and extra sensitivity (iii) "Tiwai grows".</p> <p>Second, the options include delaying a decision until new information emerges by 2017. Waiting until more information is available will allow a narrower range of MDS to be considered at that time. MEUG does not believe there is much downside to an option to further defer a decision. If there are demonstrable private benefits to a party such as Meridian Energy for example, then deferment does not preclude Meridian contracting directly with Transpower for this work to be completed.</p>
7. What weight should be placed on each scenario in coming to conclusions?	<p>The paper states:</p> <p>"Traditionally, we have tended to place equal weight on each of the scenarios that we have evaluated. We consider that this approach may not be appropriate for determining the timing of this upgrade work"</p> <p>No analysis of what alternative to applying an equal probability is provided so we are left without any straw man to comment on.</p> <p>Assigning equal weights is arbitrary but we can't think of a better option. The arbitrariness can be tested by sensitivities on the weightings if needed.</p>

6. As noted at the outset of this submission, MEUG believes further deferment of a review of the three stages would be appropriate. Should Transpower decide to proceed with a review, we look forward to further consultation by Transpower once cost estimates have been made and analysis results are available.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Matthes', with a long horizontal stroke extending to the right.

Ralph Matthes
Executive Director